

FOCUS**CORRUPTION IN POLITICS**

Total Corruption Gave Rise to
Keangnam Enterprises Fiasco

NATIONAL**LIBERAL CONCESSIONS**

Korea-U.S. Nuclear Agreement Revised
after 42 Years

INDUSTRY & COMPANY**FOREIGN EXCEEDING DOMESTIC**

New Record in Imported Vehicle
Sales for March

BUSINESSKOREA

APRIL 2015 / VOL. 32 NO. 360

www.businesskorea.co.kr



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C O N T E N T S

COVER STORY



Corporate Social Responsibility

- 26 Creating Sustainable Value
Corporate Social Responsibility as Core of Corporate Sustainability
- 28 Bastion of Beauty
AmorePacific Supports Women's Beauty in Health, Business, and Social Areas
- 29 Hyundai Green Zone
Project Turning Desert into Grassland in China
- 30 Responsible Party
Nonghyup Bank Ranked First in Social Contribution
- 31 Caring for Community
KDB Daewoo Securities Actively Leads CSR Campaigns
- 32 Energy Welfare
Hyundai Steel Presents CSR Model Connecting Benefits, Environment, and Employment
- 33 Providing Grounding Locally
POSCO Contributes All Over the Globe

- 34 Preventative Medicine
Hanwha Life Donates Health Care to Vietnam
- 35 Sharing Culture
Mirae Asset Trains Global Talent by Supporting Scholarships to Overseas Exchange Students
- 36 Giving Life
Korea Western Power Gives Blood Donor Card and Donation to Seoul National University Children's Hospital
- 37 Giving Life
Korea Western Power Gives Blood Donor Card and Donation to Seoul National University Children's Hospital
- 38 Construction, Education
Samsung C&T Develops Indian, Thai Villages
Sangsang Village
KT&G Supports Low-income Indonesians with Sangsang Village Project

FOCUS

- 08 Corruption in Politics
Total Corruption Gave Rise to Keangnam Enterprises Fiasco

NATIONAL

- 10 Visiting South America
Mission to Complete the Pacific Rim Summit Diplomacy
- 12 Production of KT-1P in Peru
KAI Signs Training Aircraft Export Contract with Peru for US\$200 Million
- 13 Gracious Hostess
President Park Speaks on North Korea, Comfort Women with Nancy Pelosi in Seoul
- 14 Liberal Concessions
Korea-U.S. Nuclear Agreement Revised after 42 Years
- 15 Sharp Words
Forbes Criticizes US Congress for Japanese Prime Minister's Speech

- 16 Cyber Attack Countermeasures
Cyber Security Control Tower Centered on Office of National Security
- 17 Northern Nouveau Riche
'More Than a Million People are Living in Luxury in Pyongyang'
- 18 Political Contrast
Ruling Party Floor Leader Pursues Liberal Economic Policies, Conservative Security
- 19 Red Tape Binds
Excessive Regulations Impairing Government Efficiency
- 20 Second Stage
Gumi City Already Meeting Ambitious Goals for Industrial Complexes with International Contacts
- 24 Solving Deadlock
Korean Gov't to Lead Labor Market Restructuring

IR & MANAGEMENT

- 40 Labor Slump Continues
Top 30 Business Groups Investing More, Hiring Less
- 41 Out On Top
LG Display Dominates Global OLED Market
- 42 Five in One
LG Life Sciences Succeeds in Clinical Trials for 5-in-1 Vaccine Eupenta
- 43 Medicine, Trees, and Schools
Green Cross Showing Remarkable Business Performance Abroad

MONEY

- 44 De Facto Deflation
Consumer Price Increase Rate 0% for 4 Consecutive Months
- 45 Stable Foundation
BOK Believes Korea Will be Unaffected by Higher Base Rate in US
- 46 Changing Trend
Korea-China Import Export

Penetration Rate May Reverse

47 Exports Rising

Korea Records Trade Surplus for 38 Months in a Row

48 Foregone Conclusion

Korea Joins AIIB as Founding Member

49 Economic Attraction

Korean Banks Attention Riveted on ASEAN Economic Community

50 Un-bonding Investors

Concern over Potential Stock Market Uncertainty

51 Profits Up

More than 80% of Listed Korean Companies Gained This Year with 2050 Mark Break

52 Withering Away

Profits of 61 Korean Conglomerates Have Shrunk to Half in Last 4 Years

ICT

54 Ups and Downs

High Expectations

56 Another Battle

Brand-new Smartphones Competing with Improved Cameras, Better Materials

57 Air Energy

LG Innotek Targets Wireless Charging Parts Market

58 ActiveX Actively Going

South Korean Gov't to Repeal Active X Security Requirement

59 Biometric Security

Biometrics-based Payments Not Yet Free from Security Risks

60 Closer Payment Market

South Korea, China Merge Fintech Markets

61 Smarter Audio

LG Smart Audio to Feature Google Cast

62 Communist Capitalism

Korean Social Commerce Market Growing Rapidly

63 Dominant Market Players

Samsung, LG Electronics Took Up 40% of Global Smart TV Market Last Year

INDUSTRY & COMPANY

64 Increased Sales

Samsung, Micron Increase Market Share in NAND Market Due to High Demand of SSDs

65 NAND Sandwiches

SK Hynix to Mass Produce 36-Layer 3D NAND Flash Chips Later This Year

66 SUVs On the Up

Domestic Automakers Sell 802,000 Units in March

67 Key Production Base

GM Korea to Become Key Base for Compact Vehicle Development, Production

68 Raking It In

Hyundai Motor Company Did Well in US, Europe in Q1

69 Domestic EV Market

Domestic Electric Vehicle Market Showing Rapid Growth

70 Foreign Exceeding Domestic

New Record in Imported Vehicle Sales for March

71 No Offshore Orders

Domestic Shipbuilders Directly Hit by Low Oil Prices

72 Needed Expertise

Increasing Demand for South Korean Shipbuilding Equipment

73 Countermove

Korean Steelmakers to Increase Investment to Tackle Negative Prospects

74 Ownership Expansion

Hyundai Steel to Complete Merger with Hyundai Hysco

75 Focus on Latin America

Korean Construction Companies Changing Overseas Business Strategies

MICE

76 Gwangju Summer Universiade: Summer of Fun

Creating Inter-cultural Legacy of Harmony through Sports

TECHNOLOGY

78 Field-effect Transistor

Wireless Smart Sensor Needs No Battery

Bonescrew

Korea Approves Soluble Metallic Screw for Medical Applications

CULTURE

80 Psy in Chinese

Mandarin Version of Psy's "Father" Creates Chinese Sensation

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Registration No.209-06-83139. Permit No.9230000-1709. The President/Realtor. Kiwan, Sung.

Korea's Most Influential Business Monthly Since 1983

BUSINESSKOREA

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PUBLISHED BY : BusinessKorea Co., Ltd. : 301 Samdo Building,
 12-1 Yeoido-dong, Yeongdeungpo-gu, Seoul, Korea 150-010
Mailing Add.: 301 Samdo Building,
 12-1 Yeoido-dong, Yeongdeungpo-gu, Seoul, Korea 150-010
Tel: (02)578-3220 **Fax:** (02)578-3224
 Government Registration Number: RA-2743 Dated March 18, 1983.
 Printed by Hwashin Printing Tel: (02)2277-0624

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Japan Should Meet Prerequisites for Future Interests to Share

According to the Future Research Center, 61 percent of Americans consider Japan's apology for its wartime atrocities enough, and 68 percent of Americans and 75 percent of Japanese have trust in each other.

The survey result shows that U.S.-Japanese relations are more amicable than ever amid the emergence of China and the Barack Obama administration's Pivot to Asia policy. The pursuit of national interests have priority over the past attack on Pearl Harbor and the bombing of Hiroshima and Nagasaki.

These days, Washington is looking to allow Tokyo to redefine the role of the Japanese Self Defense Force and apply military power more flexibly than before in a bid to keep China in check. This is likely to buttress Japan's efforts regarding the territorial disputes surrounding the Senkaku (or Diaoyu-dao) Islands.

For South Korea, the territorial dispute is not somebody else's business. These days, Japan is once again fueling the conflict by defining the Dokdo Islet as its territory in almost all middle school textbooks in the country, igniting the emotions of Korean people with the issue of comfort women and cooling the relationship between the two countries. Under the circumstances, the effective cooperation among Korea, the United States, and Japan cannot be achieved, although Washington is pursuing that for the balance of power in Northeast Asia based on better Korea-Japan relations. In that light, the United States must clarify its position on this issue, as the leading power of the Treaty of San Francisco.

The recent remarks of high-ranking American government officials that seem to side with Japan concerning historical issues can be of no help at all in promoting consistent peace and stability in Northeast Asia. The feud in the region is sure to be fueled if Washington shares military expenditures with Tokyo along with strengthening economic cooperation, without driving Japan to deliver a heartfelt apology to its neighboring countries. Citing Germany fulfilling a central role in NATO, Thomas Schieffer, former U.S. ambassador to Japan, recently said that he was looking forward to a day when Korea and Japan become true friends.

His remarks lack the understanding of the reality of Japan's continuing provocations. How it could be possible in the situation that Japan has never shown a sincere apology about their past activities or taken corrective actions like Germany. In particular, Abe's driving or allowance of the middle school textbooks describing the Dokdo Islet belonging to Japan will definitely keep the dispute alive between the next generations of the two countries. Under the circumstances, could Korea and Japan be true friends now and in the future? This is impossible as long as Japan maintains its current attitudes.

U.S. Secretary of Defense Ashton Carter mentioned that the future interests of Korea, Japan, and his country matter more than the past during his visit to Japan on April 8. If the remark is to be meaningful, Japan must stop its provocations first. Otherwise, Washington's efforts to keep the balance of power in Northeast Asia based on the strong relationship among Korea, the U.S., and Japan cannot but be vulnerable and difficult in producing real fruit.

Park Jung-hwan,
 Publisher & Editor-in-Chief

Corruption in Politics

Total Corruption Gave Rise to Keangnam Enterprises Fiasco

by Jung Suk-yee



Korea Crime Scene Investigation staff carry the corpse of Sung Wan-jong, chairman of Keangnam Enterprises who hanged himself at Mt. Bukhan in Seoul on April 9.

Sung Wan-jong, the chairman of Keangnam Enterprises, admitted to giving bribes to Kim Ki-chun and Heo Tae-yeol, former chief secretaries of the Blue House, before ending his own life on April 9 when prosecutors were investigating his connection to corrupt overseas resource developments.

He told the *Kyunghyang Shinmun*, just before committing suicide, that he had handed over US\$10 million to Kim Ki-chun at the Lotte Hotel's fitness club in Sept. 2006, when Park Geun-hye, a senator at the time, was visiting Germany. He also said that he gave 700 million won (US\$640,213) to Heo Tae-yeol during the presidential candidate nomination of the Grand National Party (now called the Saenuri Party).

In response, Kim Ki-chun told *Yonhap News* that Sung Wan-jong's statement is not true, offering his condolences on his death. Blue House spokesman Min

Kyung-wook gave no comment.

Before committing suicide Chairman Sung said that the charges of embezzlement of governmental loans during resource development was not the case. He argued that he had been a hard worker for President Park Geun-hye, rather than for former President Lee Myung-bak.

Sung's suicide seems to be due to the frustration of being disrespected as an amoral businessman, unable to come back to his business, regret for his relatives, and chagrin for the current regime targeting him as a Lee Myung-bak man.

His death put a stop to prosecutors who had charged him for embezzling about 250 billion won (US\$229 million) from his company and receiving 800 billion won (US\$731 million) of governmental loans by fabricating the financial status of his company. The prosecutors had requested an arrest warrant for him on April 6.

On April 10, however, the suicide note of Sung Wan-jong was disclosed to the public. In response, the opposition party and some civic groups have called for the launch of a special investigation team.

Yoo Seung-hee, a New Politics Alliance for Democracy (NPAD) Supreme Council member, said, "The suicide note of former Chairman Sung should be open to the public, and an investigation of an independent counsel team into his death should be carried out as well."

The Citizen's Coalition for Economic Justice (CCEJ) also said, "If the prosecution avoids getting to the bottom of the issue, it will face stiff national resistance, including the introduction of a special prosecution."

However, the formal position of the opposition group says, "Let's wait and see." NPAD Spokesperson Kim Sung-soo said, "The investigation of the independent counsel team is possible, but this is

not the time for the request yet.”

The ruling Saenuri Party Chairman Kim Moo-sung commented on the situation by saying, “A thorough investigation by the prosecution should come before the special investigation team,” in an urgent press conference on April 12.

He said, “The prosecution should eliminate all the suspicions of the people by investigating rapidly and thoroughly without boundaries. The Saenuri Party will lead and make sure that there would be no external pressure on the prosecution.”

In regards to contacting Cheongwadae beforehand, Kim said, “Since Presidential Chief of Staff Lee Byung-kee is included in the list of Sung Wan-jong, we haven’t discussed it with him.”

The note found in the pocket of Former Chairman Sung, called “Sung Wan-jong’s list,” indicates that 700 million won (US\$639,971) was given to former Presidential Chief of Staff Huh Tae-yeol, 300 million won (US\$274,273) to Incheon Mayor Yoo Jeong-bok, 200 million won (US\$182,849) to senior lawmaker of the ruling Saenuri Party Hong Moon-jong, 100 million won (US\$91,424) to South Gyeongsang Province Governor Hong Joon-pyo, and 200 million won (US\$182,849) to Busan Mayor Suh Byung-soo.

Also, “US\$100,000, September 26, 2006” was written beside the name of another former Presidential Chief of Staff, Kim Ki-choon. The current Presidential Chief of Staff Lee Byung-kee and Prime Minister Lee Wan-koo were on the list as well, but there were no amounts or dates beside their names.

All eight figures mentioned in the note denied all allegations.

Meanwhile, Prime Minister Lee Wan-koo entangled in the Sung Wan-jong list scandal eventually expressed his intention to resign. On the afternoon of April 20, Lee conveyed his plans to resign to President Park Geun-hye who is currently touring four Latin American countries. The president reportedly is expected to accept Lee’s resignation shortly after her return. Now that Lee has expressed his thoughts to resign, prosecutors now have come

to avoid the burden of having to face an unprecedented situation where they would have to investigate an incumbent prime minister and will pick up the speed of investigation.

His resignation is expected to be a starting point to bring the problem of corruption in politics to center stage triggering a wave of reforms.

The ruling party is focusing on the true nature of the Sung Wan-jong list scandal by trying to include the opposition party. They raised suspicions concerning the two special pardons for chairman Sung at the time of the former Roh Moo-hyun government. They are trying to expand the investigation into all directions by including the opposition party.

But opposition parties are voicing that the ruling party tries to make an awkward situation and distract the public from the core issue of the concurrent government. In particular, the NPAD is arguing the second amnesty of Sung reflected the wishes of Lee Myung-bak’s transition committee. Now the spark appears to spread to a game called Truth or Lie between and the former Lee Myung-bak government and the former Roh Moo-hyun government.

The ruling Saenuri Party’s floor leader Yoo Seong-min said, “This was an inevitable choice for state administration,” and added, “A thorough investigation which knows no ‘sanctuary’ must be carried out on all allegations.”

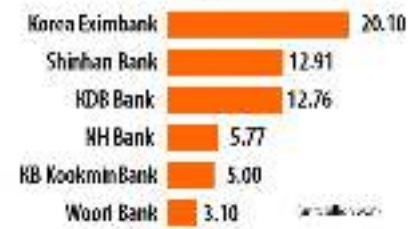
New Politics Alliance for Democracy floor leader Woo Yoon-keun said, “The resignation of Prime Minister Lee is not the end, but just the beginning.”

Mass Incompetence

Meanwhile, Keangnam Enterprises is being delisted on April 15. With banks’ losses snowballing, the creditors are criticizing the financial authorities for having tried to save the company in vain.

The creditors invested 90.3 billion won (US\$82.5 million) in March last year through a debt-equity swap. However, more than 80 billion won of that is predicted to go up in smoke. The amount can be divided into 20.1 billion won (US\$18.4 million) from Korea Exim-


Banks’ Losses from Disposing Shares of Keangnam Enterprises



bank, 12.916 billion won (US\$11.793 million) from Shinhan Bank, 12.76 billion won (US\$11.65 million) from the Korea Development Bank, 5.77 billion won (US\$5.27 million) from NH Bank, 5 billion won (US\$4.6 million) from KB Kookmin Bank, and 3.1 billion won (US\$2.8 million) from Woori Bank.

These banks have accumulated large amounts of allowances with regard to the failure of the recovery of the loans. Their exposure to Keangnam Enterprises amounts to 1 trillion won (US\$913 million) or so, and Korea Eximbank has accumulated 170.5 billion won (US\$155.7 million) in allowances since late last year. Besides, the company’s partner firms are estimated to be subject to losses of approximately 400 billion won (US\$365 million) due to its court receivership.

Such massive losses are mainly attributable to the wrong determination made by the authorities and the creditors. An accounting firm and Shinhan Bank, the main creditor bank, claimed the necessity of management led by the creditors and capital reduction without refund after completing due diligence last year. However, a debt-equity swap without capital reduction was carried out in the end, after talks with the Financial Supervisory Service (FSS).

The FSS explained that no capital reduction was necessary because the company was not in an impaired capital state. The Board of Audit and Inspection, however, is checking whether there was any form of external pressure from high-ranking government officials and the late former chairman Sung Wan-jong, who was a member of the National Policy Committee of the National Assembly. 

Visiting South America

Mission to Complete the Pacific Rim Summit Diplomacy



by Mary Park

President Park Geun-hye embarked on a four-nation tour of South America on April 16. The presidential tour was planned to expand Korea's economic influence in South America after her previous presidential trip which successfully created the second Middle East boom. It was also to broaden the horizon of summit diplomacy bolstering South Korea's partnership with the region.

Park visited Colombia first and then Peru, Chile, and Brazil to meet the leaders of Korea's four major Pacific Rim partners in the region before returning home on April 27.

President Park Geun-hye wrapped up her four-nation tour of South America with a handful of deals aimed to boost trade and economic cooperation.

South Korea has signed a set of memorandums of understanding with the four countries that, among other things, call for closer cooperation in high value-added fields including electronic government, telemedicine, renewable energy, defense, education and training.

Korean business leaders also accom-

panied the governmental trip to find opportunities to broaden business network meeting their South American counterparts. The tour plans cultural events and countrymen meeting to promote Korean culture and to spread Hallyu into South America.

On April 16, which marks the one-year anniversary of the Sewol ferry tragedy, the presidential office reportedly attended a memorial ceremony for the ferry victims some hours ahead of departing to South America.

About the delicate schedule of the president's overseas trip, senior official Ju explained that it was because Colombia asked Park to visit sometime between April 15 and 17, so the president had to depart on that day. Columbia is the only country in South America that sent youth to participate in the Korean War, and the first country that made an FTA agreement with South Korea. The president of Columbia sent a personally handwritten letter to President Park expressing his high expectations to learn about the Korean economic development model.

In Colombia, Park asked Bogota to quickly ratify a free trade agreement it had signed with South Korea. The Korea-Colombia FTA is expected to take effect within this year. If the agreement becomes effective as scheduled, Korea will be the first Asian country in free trade relations with Colombia. The industrial segments including automobiles, tires, and synthetic resin are expected to benefit directly from the agreement. The 35 percent tariffs on cars and trucks, which account for 28 percent of Korea's exports to the Latin American country, are to be eliminated in steps, along with those on synthetic resins and tires, amounting to 10 percent or so.

Korea's automobile exports to Colombia have gradually declined since the implementation of the U.S.-Colombia and E.U.-Colombia FTAs. Korean automakers' share in the Colombian car market fell from 17.8 percent to 13 percent between 2011 and last year whereas that of U.S. carmakers increased from 3.7 percent to 9 percent during the same period. German automakers raised their shares



President Park Geun-hye and her Brazilian counterpart Dilma Rousseff walk to a welcoming ceremony at the presidential palace in Brasilia, Brazil, on April 25 (local time).

from 4.7 percent to 5.2 percent as well, between 2013 and last year. The Germany-Colombia FTA took effect in August 2013.

In the meantime, the bilateral trade volume between Korea and Colombia exceeded US\$2 billion in 2014. At present, Korea takes up 2.3 percent of the import market of the country to rank eighth.

On arriving in Peru, President Park and her Peruvian counterpart Ollanta Humala jointly celebrated the rollout of the first basic trainer jet assembled in Peru in cooperation with South Korea's sole aircraft manufacturer, Korea Aerospace Industries (KAI). Park and Humala specifically agreed to cooperate in Peru's advanced trainer jet project, boosting South Korean hopes to win the project.

President Park had an interview with local economic newspaper *Gestion* on April 18 (local time). "With regard to the Korea-Peru Free Trade Agreement, both countries will be expanding their bilateral cooperation mainly in high-added-value and new industries such as infrastructure, health care and medical treatments, and new and renewable energy," she said.

The president placed much emphasis on cooperation in the field of national defense. "Peru will be Korea's first partner in Latin America to co-produce the KT-1P


trainer, and the two countries will work more closely with each other to develop their aviation technology, which goes beyond simple trade and investment," she added, continuing, "Also, Peru and Korea will be able to keep acting as the gateways for trade between Asia and Latin America if the two make full use of their respective FTA networks."

In Chile, Park and her Chilean counterpart, Michelle Bachelet, agreed to upgrade the two countries' bilateral free trade agreement to conform to the changing global trade environment. President Park emphasized that the range of cooperation between Korea and Chile should be expanded to higher added-value sectors in an interview with Chilean daily *El Mercurio*. "Korea's investment in Chile will increase continuously," she added. President Park acknowledged Chile as the first South American country to approve the government of the Republic of Korea in 1949. She also pointed out that Chile was the first nation to sign a free trade agreement (FTA) with Korea. "Backed by the cooperative partnership, our two countries have been broadening the range of cooperation," said President Park.

"As both countries pursue the next breakthrough in bilateral cooperation while focusing on innovation, I hope to bolster bilateral cooperation in industries

with higher added-value such as science, technology, ICT, healthcare, welfare, defense, and education."

In Brazil, she and her Brazilian counterpart, Dilma Rousseff, agreed to strengthen partnership by diversifying economic cooperation. The two have agreed to strengthen their countries' partnership by diversifying cooperation. In a news conference with Rousseff following their summit in Brasilia, Park said the two nations can become ideal partners in expanding cooperation in such high value-added areas as infrastructure, smart grids, renewable energy and health care. South Korea and Brazil signed a set of MOUs calling for cooperation in a broader range of areas, including telemedicine and job training. Park and Rousseff observed the signing of some of the MOUs following their summit.

In particular, South Korea said it expects its young skilled professionals to make inroads into Brazil's manufacturing and information and technology sectors through the exchange of skilled workers. South Korea said it would set up a "K-move center" in Brazil to help young people get jobs in Central and South American countries. So far, South Korea has been running such centers in seven countries, including the United States and Japan. 

Production of KT-1P in Peru

KAI Signs Training Aircraft Export Contract with Peru for US\$200 Million



Park Geun-hye poses for a photo with Peruvian President Ollanta Humala in front of the KT-1P after attending the co-production ceremony held in Las Palmas Air Base in Lima, Peru, on April 21 (local time).

Korea's KT-1P will be produced in Peru for the first time, securing a stepping stone for the country to advance into the South American aircraft market. Korea Aerospace Industries (KAI) announced that it held the delivery ceremony of the first KT-1P on April 22 (April 21 local time) in Las Palmas Air Base in Lima, Peru.

Previously, KAI and the Peruvian Air Force signed a contract for 20 KT-1Ps for an approximate amount of US\$200 million (216.66 billion won) in November 2012. This was an event to celebrate the delivery of the nation's first aircraft among 20 KT-1Ps, which was assembled and produced in Peru.

The KT-1P is an export version of the Korean basic training aircraft KT-1 for Peru. Four KT-1Ps, which were produced by KAI in December 2014, have completed electrification. The other 16 will be assembled in Peru by October 2016.

As KAI has secured the local production base of the KT-1P in Peru, it now stands on the stepping stone to tap into the aircraft market in South America. Ecuador and Paraguay not only sent their engineers to the KT-1P production facilities in Peru, but also inquired about the purchase.

The additional export market in the South American region for the next decade is estimated at a total of 11 trillion won (US\$10.15 billion) with 550 units – 150 units of the T-50s or the FA-50s, 200 units of the KT-1, and 200 units of Surion.


Until now, KAI has signed US\$3.2 billion (3.447 trillion won)

in export contracts with Indonesia, Turkey, Peru, Iraq, and the Philippines to provide 129 units of the KT-1 basic training aircraft and the T-50 advanced trainer jets.

Recently, KAI was selected as the preferred bidder of the project called Korean Fighter Experimental or KF-X, which is a South Korean program to develop an advanced fighter jet for the country. It is a project to mass produce 120 middleweight home-grown fighter jets, which are similar to the KF-16 in mobility, but superior in mounted radar and electronic equipment, through national development.

A total of 18.1 trillion won (US\$16.37 billion), including the development cost of 8.5 trillion won (US\$7.69 billion) and the mass production cost of 9.6 trillion won (US\$8.68 billion), is invested in the KF-X project, which is the largest-ever weapons development program in Korean history. The jets are scheduled to be developed by 2025 and be in service by 2032.

Earlier, the KAI signed a memorandum of understanding (MOU) for the KF-X program with American defense company Lockheed Martin, which was selected as the winner of the previous F-X project, for technology transfer and investment. Lockheed Martin promised to transfer the technology of the KF-X at the offset negotiations of the next generation fighter jet project.

The KAI has development manpower of 1,300 employees who are experienced in aircraft development, and 67 of them led the aircraft design of the KF-X.  by Jung Yeon-jin

Gracious Hostess

President Park Speaks on North Korea, Comfort Women with Nancy Pelosi in Seoul



President Park Geun-hye shakes hands with Nancy Pelosi, U.S. house minority leader, at Cheong Wa Dae on April 2.

President Park Geun-hye and Nancy Pelosi, minority leader of the United States House of Representatives, have met again, two years after their previous encounter. The latter visited Seoul on April 2 with other representative delegates as a part of a East Asia tour of five countries.

During their 65-minute meeting, President Park Geun-hye stressed the urgency of the comfort women issue in view of the victims' advanced age, and the delegation members sympathized with her. Also, she explained about the Korean government's efforts towards mending fences with Japan, commemorating the 50th anniversary of the normalization of diplomatic relations.


Nancy Pelosi congratulated Korea on the successful foreign ministers' meeting with China and Japan. Nancy Pelosi, as the first Speaker of the House in U.S. history, had made a great contribution to the unanimous passage of lawmaker Mike

Honda's comfort women resolution back in July 2007. In this context, President Park Geun-hye's emphasis on the issue during the talks can be regarded as directed toward Japanese Prime Minister Shinzo Abe, who is scheduled to make a speech to Congress on April 29. He referred to comfort women as human trafficking victims at a recent interview with the Washington Post, causing much controversy.

President Park also spoke about North Korea at length. "The North Korean nuclear issue is not only the number one security threat for South Korea, but also a factor significantly compromising the peace and stability of Northeast Asia," the South Korean President said, adding, "I feel really sorry to see Pyongyang burying its head in the sand while Myanmar is changing, Cuba is opening up, and nuclear negotiations with Iran are showing progress, and I would like to stress that inter-Korean reunification will be the ultimate key to complicated problems, including

human rights in North Korea."

She appreciated the U.S. Congress' consistent support for peaceful inter-Korean reunification, too. "The ROK-U.S. alliance is now stronger than ever, and I believe this would have been impossible without bipartisan support from the U.S. Congress, which I hope will continue for a long time," she mentioned. The delegation responded that they would keep striving for the development of bilateral relations.

Nancy Pelosi served as the Speaker of the House between 2007 and 2010. The position is considered to be the third-highest in American politics, second only to that of the President and Vice President. She was a part of the reception committee in May 2013, when the South Korean President visited Washington and delivered a speech to Congress. Pelosi's visit to Korea was her first in 18 years. The delegation is scheduled to head for Japan this morning .

by Jung Suk-ye

Liberal Concessions

Korea-U.S. Nuclear Agreement Revised after 42 Years



U.S. Ambassador to South Korea Mark Lippert and South Korean Ambassador for Nuclear Energy Cooperation Park Ro-byug after initialing a new nuclear-energy pact on April 22. (Photo via European Pressphoto Agency)

The revised Agreement for Cooperation between the Government of the Republic of Korea and the Government of the United States of America concerning Civil Use of Atomic Energy was concluded on April 22, after 53 months of negotiations, to take the place of the current one put into effect in 1973.

During the course of the negotiations, the Korean government had the three goals of spent nuclear fuel management, stable nuclear fuel supply, and an increase in nuclear power plants. Uranium enrichment and the reuse of spent nuclear fuel were two of the most hot-button issues up until the final moment.

The constraints upon uranium enrichment and pyroprocessing are to remain as they are. Nevertheless, the low enrichment of uranium from the U.S. below the level of 20 percent is going to be allowed. “4 percent to 5 percent-enriched uranium is used in power plants, and the percentage is 15 percent to 18 percent for research reactors,” the Ministry of Trade, Industry and Energy explained, adding, “This means below 20 percent covers all types


of uranium for peaceful use.”

Still, enrichment can be carried out only by the Korea Atomic Energy Research Institute on the condition that it is allowed by a high-ranking committee. Some experts point out that this means even limited low enrichment can be done under an agreement with the United States. According to the new agreement, Korea cannot procure enriched uranium for various purposes like power generation or research on its own. Although the U.S. officially promised to cooperate for the stable supply of nuclear fuel, the import of enriched uranium, which has cost over 1 trillion won (US\$924 million) a year, is expected to continue.

Pyroprocessing is predicted to be very limited as well, because Korea is allowed to perform nothing but electrolytic reduction, which is an earlier step for turning spent nuclear fuel into metal, with sensitive nuclear materials such as uranium and plutonium not separated. The next steps of electrolytic refining and electrowinning are prohibited according to the agreement.

Although both countries are conduct-

ing pyroprocessing research together, the importance of independent technological development cannot be underestimated, since reprocessing and recycling techniques contribute greatly to a reduction in the space required for spent nuclear fuel storage. At present, Korea is storing the fuel at four nuclear power plant sites, and the capacity is soon to be reached.

Meanwhile, some people are positive about the outcome, because the new agreement stipulates specific cooperation measures for various possible types of spent nuclear fuel management, examples of which include temporary storage, pyroprocessing, permanent disposal, and commissioned reprocessing abroad. Also, Korea can send materials, equipment, and components imported from the U.S. and shipped out after processing even without the consent of the U.S. if the destination is in a nuclear agreement with Korea. Long-term consent has been made as well with regard to less restrictions on the import and export of nuclear materials, equipment, and components from the U.S. 

by Jung Suk-yeo

Sharp Words

Forbes Criticizes US Congress for Japanese Prime Minister's Speech



Eamonn Fingleton, Forbes Contributor.


Forbes contributor Eamonn Fingleton has said that money is behind the invitation of Japanese Prime Minister Shinzo Abe to speak at the U.S. Congress.

“Congress now runs ever more explicitly on money – and few nations are more generous than Japan in unloading in greenbacks on American politicians whose agendas suit the island empire,” he wrote in his column titled “Dissing Comfort Women, House Speaker John Boehner Panders To Japan's Most Toxic Prime Minister.” He went on, “Of course, it is technically illegal for foreigners to fund American politics – but that is the flimsiest of fig-leaves. Any foreign corporation can perfectly legally funnel money into American politics via a U.S. subsidiary. With huge investments in the U.S. automotive and electronics industries, corporate Japan is uniquely well placed to influence Congress.”

The former Forbes and Financial Times editor-in-chief continued, “Abe is the first Japanese Prime Minister to be accorded the honor – yet, arguably of all Japan’s Prime Ministers since 1945, he is the least deserving. Where obloquy is concerned, his only rival is his grandfather, the accused Class A war criminal Nobusuke Kishi, who served as Prime Minister in the late 1950s.

“Among other things Abe has at times suggested that the Imperial Japanese Army’s sex slaves – generally known by the euphemism ‘comfort women’ – were common prostitutes. A mountain of evidence indicates otherwise. There is, for instance, the testimony of Dutch housewives captured in the Netherlands East Indies who were forced into sexual servitude in the early 1940s. So far as I am aware, their evidence has never been challenged even by the most fanatical Japanese rightists. Abe has at times con-

ducted an almost sadistic exercise in double talk. Sometimes he seems to acknowledge the extent of the atrocities and to be duly regretful. At other times he seems to want to ‘unapologize’ – to take back, at least in part, previous leaders’ apologies. This latter attitude appears like an Orwellian insult to millions of people – Asians, Americans, Western Europeans, and Russians – who either suffered directly from such atrocities or whose parents or other relatives did,” he wrote.

At present, it is predicted that the Japanese Prime Minister will mention such words as remorse during his Congress speech scheduled for April 29, but will never make an apology with regard to what happened during WWII. Professor Gerald Curtis of Columbia University urged the Japanese Prime Minister to apologize by taking the opportunity in his contribution to the Wall Street Journal. 

by Cho Jin-young

Cyber Attack Countermeasures

Cyber Security Control Tower Centered on Office of National Security



Korea's presidential office plans to set up a cyber security control tower inside its National Security Office to deal with cyber attacks. Spokesman Min Kyung-wook says that the move is aimed to strengthen the top office's role in cyber security and to respond more effectively to cyber attacks. And the Cabinet on March 31 approved the creation of a new presidential post to handle cyber security.

The move came after a series of cyber attacks in South Korea and the United States in recent months. North Korea has a track record of waging cyber attacks on both countries, though it has denied any involvement in these high-profile cases.

Last December North Korea reportedly leaked internal documents from the Korea Hydro & Nuclear Power Co. (KHNP) five times. According to the South Korean government-led joint investigation team, North Korean hackers used Internet protocol addresses in Shenyang, China to access the KHNP network. They published designs, manuals, and other information about South Korean reactors on Twitter, along with personal information about workers.

Earlier this month, the hackers' group disclosed some 10 internal documents

leaked from the KHNP and a memo that it claimed as a transcript of a phone conversation between South Korean President Park Geun-hye and U.N. Secretary-General Ban Ki-moon, even demanding money. The leaks prompted the South to heighten cyber security and form an investigation team involving experts, government officials, and state prosecutors. However, the South Korean government could not earn collaboration from China. The team could not induce judicial assistance from the Chinese government to probe the Shenyang region. Accordingly, the interim investigation failed to discover the real identity of the hackers and the de facto power behind the cyber attack, and failed to provide clear countermeasures.


Although the hacker's real attempt to paralyze the entire system at the South Korean nuclear power plant operator ended in failure, the national security system and investigation process on cyber attacks turned out to be incompetent.

In contrast, the U.S. reportedly launched swift countermeasures, including cyber attacks against North Korea after accusing it of being behind the hacking of Sony Pictures. The communist regime reportedly damaged the computer net-

work of Sony's Hollywood film unit last November over its controversial North Korea-themed satirical comedy film "The Interview," which depicts a plot to assassinate the communist nation's leader Kim Jong-un.

Last week, the U.S.'s Director of National Intelligence James Clapper predicted the future to be an ongoing global cyber war, mentioning the biggest perpetrators of cyber attacks. North Korea was counted as the most notorious cyber attacker following last year's Sony hack. The Sony debacle is by far the most advanced action that North Korea has taken against another regime.

Clapper also emphasized the necessity of changing and developing cyber tactics. He described future attacks which will change or manipulate electronic information in order to compromise its integrity. Present hacking focuses on either destroying infrastructure or gaining access to private information. But in the future, hackers may launch more clandestine cyber espionage programs that manipulate data so victims lose credibility. Clapper advised that what countries must do is not to try to eliminate cyber threats, but more actively manage potential risks.

As one of the world's most wired nations, South Korea faces the most persistent cyber perpetrators. At any rate, cyber warfare is a reality here in Korea. President Park has warned that South Korea could be susceptible to cyber attacks unless thorough security measures are put into place, as everything is connected to the Internet. Earlier this year, Park appointed Lim Jong-in, dean of the Graduate School of Information Security at Korea University, as her special cyber security advisor. 

by Mary Park

Northern Nouveau Riche

'More Than a Million People are Living in Luxury in Pyongyang'



The newest, hottest hot spot in Pyongyang - Changjon Street, on Sept. 29, 2014.

The Rodong Sinmun of the Democratic People's Republic of Korea posted a picture of Changjon Street in Pyongyang on Sept. 29, 2014. The photo shows a circular building in front of a row of high-rise apartments. The circular building is a theater, and the apartments get as high as 45 stories. The night view in the picture implies that enough power is being supplied to at least downtown Pyongyang to keep the area lit up like that. Changjon Street was completed in June 2012, the first year of Kim Jong-un's reign.

It is claimed that the number of elite people living a luxurious life in Pyongyang has increased to a million under the Kim Jong-un regime. "Those affiliated with the Worker's Party, military, and state-owned corporations are enjoying luxury beyond the imagination of the general public," said Free University of Berlin Professor Park Seong-jo at a recent interview with the Radio Free Asia (RFA). He added, "They are the new rich, having at least US\$50,000, Samsung TVs, pet


dogs smuggled from China, and tickets to fancy restaurants, saunas, and gyms that take only the U.S. dollar and euro."

He continued, "The number of such people is approximately 200,000 to 300,000, as far as I see, but some of my colleagues' estimate them at over one million." The professor added that about 5,000 German luxury sedans can be found in Pyongyang, along with 1,500 or so used Japanese cars and about 1,000 cabs. "Even though income inequality was also found in the former East Germany, Slovenia, and Croatia, it is not comparable to that in today's Pyongyang, where mobile phones are implying that the income gap is widening between the rich and the rest," he pointed out.

A coffee shop and a restaurant that serves rotary hot pot stew also have appeared in Pyongyang. The Chosun Sinbo, the newspaper that is published by the General Association for Korean Residents in Japan, announced on April 7 that the coffee shop is becoming more popular

with young people in Pyongyang by serving various kinds of food such as lattes, smoothies, and waffles.

The coffee shop, located on the observation deck of the Ryugyong Hotel, is famous as the first hand-drip coffee shop in North Korea. There, the view of the Daedong River can be seen, and an increasing number of young people in Pyongyang are visiting the place to enjoy the view with coffee. The newspaper added that the coffee shop is preferred by even Korean residents in Japan who use the hotel.

The Chesong Restaurant, which has served rotary hot pot stew since last year, is gaining much popularity as well. The Chosun Sinbo quoted the restaurant as saying, "We are trying to meet the taste of the people and their demand for better things to eat by serving a new menu, and we are successfully serving our customers who wish to enjoy various sorts of food at one place." 

by Jung Suk-ye

Political Contrast

Ruling Party Floor Leader Pursues Liberal Economic Policies, Conservative Security

Yoo Seung-min, the floor leader of the Saenuri party, reaffirmed that “welfare without tax increase is fiction,” reviving the tax increase and welfare dispute, as he was inaugurated.

Yoo Seung-min said that taxes fell short of the budget last year by 22.8 trillion won (US\$20.8 billion) for the last three years, proving that “welfare without tax increase is fiction,” and appealing for a tax increase.

He said that the 134.5 trillion won (US\$122.8 billion) budget commitment cannot be abided, and the Saenuri party “regrets” it, suggesting the necessity of a tax increase.

He will establish an organization where the ruling and opposing parties can discuss tax and welfare matters, suggesting the “moderate burden and moderate welfare” model.

Mentioning tax equity, he said the principles that “richer people pay more taxes,” “corporate taxes cannot be a sanctuary,” and “income and assets coexist with taxes” should be considered for the tax discussion.

He also asserted the idea of fairly sharing the pain and market economy, mentioning the necessity of innovation for the growth of the Korean economy.

As a solution for economic growth, he suggested the reformation of conglomerates and avoidance of short-term stimulus.

He said that the conglomerates should stop shameful actions such as letting their relatives run their campus restaurants, threatening small businesses.

He also said embezzlement, breach of trust, bribes, tax evasion, illegal political funding, and foreign currency escapes of



Yoo Seung-min, floor leader of the Saenuri party, gives a speech as the representative negotiator at a parliamentary plenary meeting. The New Politics Alliance for Democracy welcomed the speech exceptionally.

conglomerates' owner family executives should be equally punished as normal people.

He also criticized the government's economic policy.


He said that the government should work on wage increases and stable employment rather than appealing to conglomerates for wage increases.

He criticized the government's economic stimulus policy, saying “the short-term stimulus should be renounced.” He said the short-term stimulus, consuming the budget in the economy, which is stuck with low growth, only weakens financial soundness, which the Korea Development Institute warned.

As shown above, he vowed the rul-

ing party's change, suggesting midway or center-left policies. But, he will certainly pursue the “upright conservative way” for security, he said.

He asked that the opposing parties, which object to the allocation of THAAD in the Korean peninsula, if they have any alternative solutions for protecting citizens from North Korean nuclear or missile attacks, distinguishing himself from the opposing parties which appealed as “security parties.”

He said that conservatives and liberals should cooperate today to develop national strategies and recognize national challenges, and therefore they should put a stop to the idea of factions. 

by Jung Suk-ye

Red Tape Binds

Excessive Regulations Impairing Government Efficiency



President Park Geun-hye stresses the importance of deregulation at a meeting held last year.

The World Economic Forum announced last year that Korea ranked 104th in the world when it comes to government efficiency. Specifically, the Korean government ranked 96th regarding the magnitude of the burden imposed by government regulations, ranking below even African countries such as Zambia (35th) and Uganda (42nd), not to mention Germany (55th). India took 52nd place in the overall rankings.

Korea's fintech industry is falling behind, too. According to accounting firm KPMG, no Korean company is found in the world's top 50 fintech companies of this year. This is because, at least in part, the government has tightened regulations on IT firms for the sake of information security.

As of the end of last year, a total of 14,927 regulatory measures were in effect in Korea. The number had increased from 12,905 to no less than 15,259 between 2009 and 2013. President Park Geun-hye

promised aggressive deregulation, but only 342 of them were repealed last year.

Korea is currently in second place on the OECD's Product Market Regulation (PMR) index on the inhibition of the promotion of corporate activities and competition. Germany ranks 26th and Japan ranks sixth among the 34 member countries on the list released every five years.

Excessive regulations are easily found in the service industry as well. The total number of regulatory measures in the sector amounted to 4,085 last month, when that in the manufacturing sector added up to only 381.

Meanwhile, about 30 percent of businesses were dissatisfied with the current government's regulatory reform. Only 7.8 percent of businesses felt any satisfaction with the reform.

This was the result of a survey of 560 domestic corporations – 256 large companies and 304 smaller companies – for the "2015 Regulatory Reform Awareness

Investigation" from Research & Research requested by the Federation of Korean Industries from March 13 to April 3.


Only 6.1 percent of the corporations responded with "slightly satisfied" about the government's deregulation reform, while 1.7 percent of them said "very satisfied," showing the combined rate of only 7.8 percent.

Most of the companies answered "neutral," while 62.4 percent and 29.8 percent of them said "dissatisfied."

On the question about how much does one expect for the government's regulatory reform this year, 12 percent of the respondents said "no expectations at all," while 33 percent of them said, "not much expectations." The figures are higher than the 16.6 percent of "some expectations" and the 1.8 percent of "much expectations." According to the survey, 37.3 percent of the businesses responded "negative" in the practicality of the regulatory reform, while 9.1 percent of them answered "positive."

About 30.6 percent of them cited "the government's strong effort for deregulation" in the positive side, and the majority of 73.9 percent said "distrust of the government's will and ability of the regulatory reform" in the negative side.

For the first priority of the government, 55.5 percent of those who responded said "prompt follow-up measures including the improvement of statute, while 52 percent of them said "the improvement of public servants' awareness and attitude in regulatory reform."

By the first priority of the sector, 40.2 percent of them said "regulation on large companies," followed by labor regulation with 32.6 percent, and financial regulation with 28.1 percent. 

by Jung Suk-ye

Second Stage

Gumi City Already Meeting Ambitious Goals for Industrial Complexes with International Contacts

BusinessKorea sat down with Nam Yoo-chin, mayor of Gumi City, to speak about the progress that he has made since his re-election in pursuing the goals that he set out for Gumi City. A center of the country's industrial power, Gumi City has been developing its several industrial complexes in cooperation with European cities, local conglomerates, and international ideas. What follows are excerpts from this latest interview.



Nam Yoo-chin, mayor of Gumi City

What is Gumi City's vision?

Gumi City is ambitious for the Gumi Industrial Complex's second prosperity, US\$50 billion in exports, and 500,000 population. We will pursue these ambitions via securing the next growth driving industry, advancement of industrial structure, recreation of old industrial complexes, domestic and overseas investments, support for SMEs, and strong innovations.

What is Gumi City's specialized industry that is globally competent?

Gumi is an IT-centered city. The automobile, medical equipment, and defense industries are growing in the city based on IT to create new value.

We are particularly paying attention

to the carbon molding component industry. Japan's Toray is setting up a carbon fiber factory of 270,000m² in Industrial Complex 5 of Gumi in accordance with the construction project of the carbon molding components industry cluster, for which 5 billion won (US\$4.7 million) is to be invested. We are also preparing for the 2015 International Carbon Industry Forum to be held here in June this year. I believe that Gumi will be the country's best international hub of industry.

The Gumi Industrial Complex is essential for the city's industry. How has the complex been evolving?

The Gumi Industrial Complex has been growing via endless efforts of cooperation between academia and industry as well as its blessed conditions for the electronics industry.

Since the founding of Complex 1, Gumi's primary industries have changed to be information technology (IT) centered such as fiber, electronics, home appliances, displays, and mobile. The city is developing both Complexes 1 and 5 for innovation, which are aimed to be global electronic industry complexes, by diversifying its industries with medical equipment, automobile components, and defense industries, on the basis of the information and communications technology (ICT).

Last year, the number of those

employed by Gumi industrial complexes has reached 111,993, which was 37.3 percent more than 2009. The number of companies in the complexes continually increased from 2010 to last year, on average by 6 percent annually, so reached 3,128 last year, having increased by 74.1 percent in comparison with 2009.

How have you been enhancing Gumi's competences? And, what have you achieved as a result?

In Gumi's industrial environment, the main industry changes every 10 years, due to the IT industry's short life cycle. Chronologically, the main industries were fiber and electronics in the 1970s-80s, electronics and home appliance in the 90s, mobile and displays in the 2000s, and in 2010s the main industries were diversified into ICT, carbon fiber, medical equipment, automobile components, optics, and defense, in response to the global trend.

Since the inauguration, I have been focusing on the reorganization of the industrial structure of Gumi, which I consider essential for the sustainability of the city. I have also worked on developing new growth engines via domestic and overseas investments. By the end of last year, I successfully attracted investments of 12 trillion won (US\$11.2 billion) from 564 domestic and overseas companies out of renewable energy, electronic medi-



The 17th World-OKTA Leaders Convention was at GumiCo in Gumi City from April 21 to 24, 2015.

cal equipment, carbon fiber, optics, 3D, and the automobile components sectors. The LG Group invested 7.15 trillion won (US\$6.67 billion). The Samsung Madison's Gumi factory, expanded in 2012, is expected to contribute to the development of the medical equipment industry.

The attraction of an automobile carbon fiber component molding factory and small and medium-sized enterprises (SME) producing intermediate and finished goods is also advantageous. In this regard, I visited the CFK-Valley in Germany last October 14. There, I obtained a membership on Jan. 6 and joined a general assembly on March 19, giving a speech. Gumi City invited Dr. Gunnar Merz, CEO and chair of the Board CFK-Valley, to the international carbon industry forum to be held this June.

With Germany, I have been continually pursuing support for local SMEs' overseas marketing, as well as sending trade

missionaries to Europe since 2008. I also concluded a technology exchange with local governments, research institutes, corporations, and other organizations, by sending Gumi's investment attraction organization to 10 German cities in 2011. In May 2012, Gumi's economic delegates visited Wolfsburg and Jena and concluded a memorandum of understanding (MOU) with Wolfsburg AG and Fraunhofer IOF. Oliver Syring, president of Wolfsburg AG, suggested for us to host the biennial International Suppliers Fair (IZB) held last October. Having also discussed the establishment of a trade cooperation office, we opened an office in Wolfsburg AG, which will be a bridge for economic exchanges between Gumi and Wolfsburg. Gumi also supports SMEs entering overseas markets and investment attraction in cooperation with Gyeongsangbuk-do's offices in China, India, the United States, and Japan.

We are also pursuing a sustainable

development model via the diversification of SMEs' primary industries. About 150 SMEs have transferred to the automobile components sector. One of the reasons that Gumi City participated in the IZB last October was actually in order to support the export of automobile components. In March, Gumi City was also the first local government to open a trade cooperation office in Germany. While 30 companies transferred to the medical equipment sector, the medical equipment commercialization center was built last October. In the defense sector, 20 companies in the city concluded business agreements for the betterment of the industry. The national defense venture center opened in March, which will be helpful for the attraction of the national defense trust center. The preparation for the medical equipment and defense sectors is very strong, which may change the industrial structure of Gumi.



Trade Talks during the 17th World-OKTA Leaders Convention.

What are the core development strategies of Gumi Industrial Complex?

The city has developed the 2020 Gumi Industrial Development Strategy. The strategy aims to advance the existing industries including mobile communication, defense industry, water industry, advanced component materials for futuristic automobiles, wireless charging, and software convergence industries.

As part of such efforts, Gumi City is implementing the second phase of a project that enhances the structure of its industrial complex, having completed the first phase where the hardware was constructed. Through the second phase, the city will select specializing sectors, support venture companies, and improve settlement environments. The city also will develop the industrial complex to be an innovative place where research and development, production, culture, the environment, and welfare are incorporated.

Each complex of the city will specialize in specific industries. Complex 1 will have an advanced structure for the mobile, display, and fiber industries. The complex will also specialize in new industries such as IT medical devices and smart transport components.

Complexes 2 and 3 will be integrative

complexes for digital device components. Complex 4 will concentrate on energy component materials (e.g. solar power, rechargeable batteries). Complex 5 will function as an integrated complex for new materials such as carbon fiber, and a production complex for automobile components.

Particularly, we have utilized the Gyeongbuk Creative Economy Innovation Center that opened on Dec. 17, 2014, and created the “TOMORROW LAB” in the mobile convergence technology center (1,750m²) of Gumi Keumoh Techno Valley. We also set up the “TOMORROW OFFICE” which involves seminar rooms, resting places, and tenant company offices. The Gyeongbuk Creative Economy Innovation Center plans to contribute to SME production capability by supporting the introduction of a production field management system, simulation, and automation facilities aimed at a smart factory in cooperation with Samsung.

What policies does Gumi City have for small and medium-sized businesses' expansion into the overseas markets?

The city has been carrying out a variety of overseas marketing projects by sup-

porting overseas exhibition participations, overseas market research, overseas branch establishment, and sending trade missionaries.

Since 2014, we have been participating in the IZB and Stuttgart automobile components exhibitions. We plan to help businesses wishing to enter the European market through Gumi's trade cooperation office established in Germany for European market research and promotion.

Along with the activities to attract foreign investment, please explain the benefits for investment and plans to attract it.

From 2006, Gumi City has been aggressively involved in the activities to attract foreign investment with me as the head. This is because the region has created 1.85 million square meters of foreign investment zone. Still, 240,000 square meters remain for foreign investments. The tenants can rent the land for free for 50 years, when they meet certain requirements.

When a joint venture enterprise has more than 30 percent foreign investment shares, the company is categorized as a “foreign investment company.” They can also enjoy 100 percent exemption from



Green Car Exhibition during the 17th World-OKTA Leaders Convention.

corporate taxes, acquisition taxes, and property taxes for 15 years.

The benefits will also be customized for each foreign investor in the form of various incentives such as financial support, technical support, provision of human resources, and tax reductions.

In particular, I set up an organization called “Corporate Love Headquarters” in 2006 when I first took office. Through the organization, we now have a one-stop service system to handle the difficulties of many companies. This has become a virtuous cycle to encourage companies to invest which, in turn, increases investment, which is more effective than any other form of incentives that Gumi provides. Also, it has given the reason for Gumi to become an exemplary model as the best city for doing business.

How are you going to utilize the global Korean businessmen network established via the 17th Leaders Convention organized by the World-OKTA?

Just like the World Federation of Overseas Korean Traders Associations (World-OKTA), which has 13 trade commissions, Gumi City also has councils of similar industry, such as the Gumi Export

Information Exchange Network, Convergence Network, Machinery Association and Metal Association, and actively exchanges relevant information.

In order to stimulate the overseas expansion of small and medium-sized companies through continuous and systematic management and overcome the limits of the domestic market, I suggest regular network meetings between the 13 trade commissions of the World-OKTA and Gumi Small & Medium Business Conference. Through it, I hope the convention will not be restricted to a temporary meeting and play the pivotal role to break through the current prolonged recession.

I believe that the members of the associations who will participate in this convention spend much time in foreign operations. I have great hopes that they will play the role as a potential investor of the five industrial complexes to be established and as the advisors of private investment to seek out parts investment companies in the Americas, Europe, and Japan.

I wish also for Gumi to be the center of the World-OKTA members’ globalized businesses. In particular, I hope the members, doing business in Europe, use Gumi’s trade cooperation office in Wolfsburg, Germany. The office will be useful


for local businesses entering the European market, economic cooperation, and cultural and academic exchange.

Please talk about the direction and efforts for the diversification of the city's industry.

Gumi City opened the Gyeongbuk Creative Economy Innovation Center in December 2014 to support “smart factory” systems such as a production field management system, simulations, and automation equipment. The center provides places for seminars, offices and laboratories.

The center is also employed for the city’s new industry projects involving medical equipment, advanced robots, carbon composite materials, 3D image diagnosis software, smartphone sensor inspection equipment, ultra precision machining, and 3D cultural content.

Responding to the global trend, the city will pursue sustainable development via diversification of its major industries such as 3D printing, and next generation ICT.

The city is also going to hold the international carbon industry forum this July, and construct the medical device commercialization center. The city opened the national defense venture center in March. 

Solving Deadlock

Korean Gov't to Lead Labor Market Restructuring



Lee Ki-kwon, minister of employment and labor, speaks about the government's position on labor reform in Jongno, Seoul, on April 9.

The government is looking to lead labor market restructuring, since the tripartite talks for the purpose have halted.

Minister of Employment and Labor Lee Ki-kwon had a press conference in Seoul on April 9 to explain the government's stance regarding the direction of labor market restructuring. "During the course of the three-party negotiations, the participants reached an agreement on such issues as the necessity of more measures for youth employment, expansion of the social security net, clarification of the scope of ordinary wage, and reduction in working hours. The government is planning to do what it has to do regarding these issues by enacting laws and adjusting its budget plan," he said. He also added, "In the meantime, we will continue with the negotiations when it comes to half-solved matters like the revision of the Act on the Protection of Fixed-term and Part-time Employees."

He continued, "There are also some unsolved issues as well, including how to

change the rules of employment to prepare new wage systems with regard to retirement age extension, and we will keep collecting opinions from experts and labor and management groups for those matters."


The Federation of Korean Trade Unions declared the discontinuation of the negotiations on the previous day and did not attend the special tripartite committee meeting on April 9. Under the circumstances, Chairman of the committee Kim Dae-hwan said he would resign.

In the meantime, the Korean Confederation of Trade Unions (KCTU) will go on a general strike on April 24. At least two-sevenths of its 700,000 members are predicted to join the strike.

The Federation of Korean Trade Unions (FKTU), which recently opted to fight instead of negotiating at the tripartite talks, is likely to hold hands with the KCTU as the issues at stake are serious, including labor market restructuring, government employee pension reform, mini-

mum wage increases, and government organization reform.

The Ulsan branch of the Hyundai Motor Company labor union, the large part of the Korean Metal Workers' Union of the KCTU, has yet to decide on the participation of the general strike. It is expected that 400 to 500 high-ranking members will join on behalf of the 47,000 or so union members.

In the meantime, the government is planning to take a hard line on the strike, with a series of political issues. The business community is much concerned over the walkout as well. "Government policy, law revisions, and what has been discussed at the Minimum Wage Committee cannot constitute the purpose of the strike," the Korea Employers Federation said in its official statement, adding, "The government should not sit back and watch the strike to precede similar ones scheduled for May and June regarding wage bargaining and the like." 

by Cho Jin-young

Creating Sustainable Value

Corporate Social Responsibility as Core of Corporate Sustainability

by Jung Suk-ye



Lim Hong-jae, secretary general of UN Global Compact Network Korea.

While the impact of entrepreneurial activities on society and the national economy expands, corporate social responsibility (CSR) becomes a main agenda item in both the industrial field

and business academia.

According to a poll conducted last year by the Korea Productivity Center, there is a trend in that the country's enterprises continually expand their CSR infrastructure. The poll is based on surveys and phone interviews with 590 organizations of South Korea, 40 and 42 percent of which were private and public, respectively. The poll analyzed the companies' purpose, implementation systems, main activities, performance evaluations, and management and information disclosure of its CSR.

In the research, private enterprises appeared to have spent 7.74 billion won (US\$7.21 million) on average for CSR,

which accounts for 0.08 percent of revenue. This is similar to last year, but it accounts for 1.86 percent of operating profits, which is almost twice as much as last year's 1 percent. It seems that the expenditure for CSR was maintained, in spite of unfavorable operating profits due to a deteriorating external environment such as the strengthened won.

"Value Creating" CSR activities, linking core businesses with CSR, are increasing, which was favored by 42 percent of the companies. Thirty-four percent favored entering into the social and environmental field, which has no support from the public sector. This year, the ratio of the companies that operated educational

programs, developing expertise in CSR, increased to 56 percent from 51 percent in 2013.

Many companies appeared to have difficulty in linking their business with CSR. Only 37 percent of companies said the possibility of the link was "high." Fourteen percent had actually made the link, and 13 percent were preparing for the link.

The enterprise's size made a difference in CSR activities. While 25 percent of all the companies participated in the research spent less than 10 percent of their budget on CSR, 63 percent of private companies with revenue of at least 10 trillion won (US\$9.3 billion) did it.

In South Korea, CSR activities are not only consumption or charity, but are also becoming an investment strategy.

According to a research by the Federation of Korean Industries (FKI), 80 percent of CSR representatives of companies said that they regard the CSR not as charity, but a business strategy and management activity. Now, the CSR is being approached from an economic angle, although it had been just a slogan in the country previously.

South Korean companies quantitatively adjust their CSR. According to FKI, 234 companies of the country spent 2.8114 trillion won (US\$2.6171 billion) on CSR this year, which is less than last year's 3.2534 trillion won (US\$3.0288 billion), due to the severe recession which reduced the companies' earnings. But, the ratio of CSR expenditure to the pre-tax profit increased to 3.76 percent from last year's 3.37 percent, which is twice Japan's 1.77 percent. The anti-corporate sentiment and lack of expertise are pointed out for interfering with CSR.

Particularly, most CSR that has been limited to one-way donations raised questions on authenticity and sustainability. Hyun Jin-kwon, director of the social integration center at the Korea Economic Research Institute (KERI), said corporations should now develop CSR projects linked to their own specificity, and find an area where they can maximize profits.

Accordingly, some leading companies

are attempting a program they call Creating Shared Value (CSV) which combines commercial activities, like raw material procurement, production, logistics, and sales processes, with social contribution.

For example, Starbucks says that drinking Starbucks coffee supports coffee farmhouses and fair trade, having paid more than market price for premium coffee beans, certified for fair trade, only. Consequently, Starbucks improves its brand image and increases sales price. This program increases coffee producers and Starbucks' profits, while their customers are psychologically satisfied by doing good things and enjoying quality coffee. As a result, all the contributors get benefits, creating continuous shared value.

The number of companies which mentioned CSV in their sustainability reports increased to 10 in 2014, which accounts for 12.3 percent of all of the companies which published sustainability reports in the year, from one in 2011. But, there are still many companies which call their CSR activities CSV.

The persuasion of sustainable values in terms of business strategy is also internationally favored. In 2007, Ban Gi-moon, the Secretary-General of the United Nations (UN), established the United Nations Global Compact (UNGC), through upgrading the Global Compact to UN's major project in the UN General Assembly Resolution. UNGC emphasizes human centered social contribution for companies pursuing profits. That is, when a company, having strongly influential on the society, internalizes the 10 principles of UNGC's four major areas such as human rights, labor, environment and anti-corruption, it can sustainable values for investors, customers, clients, laborers, local community and environment, which is called "corporate sustainability".

UNGC's CSR not only involves social contributions such as financial contribution, talent donation, and philanthropic activities, but also enterprise-led revolution. This is a voluntary movement, so UNGC does not compel the 10 principles of convention, but communicates via conversation, recommendations, and guid-




Lim Hong-Jae, secretary general of UN Global Compact Network Korea, is giving the declaration of Seoul at the 2013 Global CSR Conference.

ance.

The Korea Network of the United Nations Global Compact (UNGC), established in September 2007 to spread the UNGC's values, counts 283 corporations, non-governmental organizations, government agencies, and private organizations as members.

The UNGC Korea Network has held large-scale rallies that deal with human rights, labor, environment, and anti-corruption, as well as seminars and workshops. For instance, it hosted visiting programs, Youth and Global Corporate Social Responsibility (CSR) conferences, promoting the UN's CSR. It also shares excellent CSR management cases via the worldwide network and hosts the UNGC Value Awards every two years.

This year, the UNGC Korea Network will hold the "2015 UNGC Korea Leaders Summit." Lim Hong-jae, secretary general of the UNGC Korea Network, said there will be an international conference with the theme of "UNGC Korea Leaders Summit: Business Engagement for Achieving Sustainable Development" inviting 400 participants, including domestic and foreign CEOs, government, international organizations, the private sector, and academia. The conference will introduce corporate sustainability initiatives such as the UNGC's four core values – human rights, labor, environment and anti-corruption – as well as Sustainable Stock Exchanges (SEE) and Business for Peace (B4P), Lim said, calling on South Korean companies to join. 

Bastion of Beauty

AmorePacific Supports Women's Beauty in Health, Business, and Social Areas

Adopting a management philosophy of valuing people, AmorePacific has led the cosmetics and green tea industries and undertaken various corporate social responsibility (CSR) activities ever since its foundation in the year 1945.

In particular, the company joined the United Nations Global Compact (UNGC) in November 2007, a first for Korean cosmetics firms. To join the UNGC is to express a determination to apply, practice, and steadily improve 10 causes regarding human rights, labor, environment, and anti-corruption in all business activities.

AmorePacific has been involved in social responsibility activities in two ways – by establishing public utility foundations to manage and support and directly participating the activities.

When forming a public utility foundation in a bid to strengthen its professionalism for public service and steadily and systematically perform CSR programs, the company not only invests fundamental assets but also donates a certain amount of money every year for the foundation management and its proper purpose business. By doing so, the company activates the programs and completely supports the activities.

Also, the company is directly involved in CSR activities as a corporate citizen.

Taking a look at the amount that AmorePacific has spent on social responsibility, one can see how strong the company's desire is to follow up on its promises.

With the firm's founder and CEO showing steady interest and setting an example, the employees voluntarily participate in the activities, naturally making it a part of corporate culture. Also, it serves as the foundation of business management on CSR.

"Make-up Your Life" is a campaign started in 2008 to help female cancer patients stay beautiful who suffer from sudden

changes in their appearance like skin changes and hair loss due to cancer treatment processes, through makeup, skin care and hair styling. This campaign is hosted by AmorePacific and sponsored by the Korea Breast Cancer Foundation, Korea Breast Cancer Society, and Korea Oncology Nursing Society.

A total of 9,221 participants, including female cancer patients and 2,904 Amore counselor volunteers, have taken part in the campaign until 2014. It has become a representative CSR campaign.

Also, AmorePacific conducts a Pink Ribbon Campaign through its nonprofit organization Korean Breast Cancer Foundation to raise awareness of breast cancer.


Under the theme of breast cancer, the company supports women to develop a healthy and beautiful lifestyle through various activities, and also aims to convey the message to be positive and love themselves.

From 2001, about 460,000 women have participated in the numerous programs of the Pink Ribbon campaign. Accordingly, it is emerging as the representative campaign for women's health.

Marking the 15th anniversary of the Pink Ribbon campaign in 2015, AmorePacific and the Korea Breast Cancer Foundation jointly declared the slogan of "Pink Ribbon, Always" to promote the importance of the continued attention and love for breast health, and also showed the commitment to communicate with more citizens through an annual campaign.

Meanwhile, Hope Stores is a micro-credit program that provides startup loans to low-income single mothers without collateral or an ideal credit history in order to help them get out of poverty. It is supported by AmorePacific and operated by the Beautiful Foundation.

Hope Stores supports single mothers to start their own businesses in the various fields, including restaurant, hair salon, independent cab taxi, cafeteria, car wash, and production of natural soap so that mothers and children can live a stable life. Moreover, there will also be offered not only foundation funds but also consulting and follow-up services for self-reliance.

According to the data, the average income of the founders supported by Hope Stores increased as much as 2.5 times from 980,000 won (US\$904.64) to 2.53 million won (US\$2,335.46) after starting their own businesses. Also, the rate of general recipients of basic living from the government cut down by half from 22.6 percent to 11.8 percent, while the rate of conditional recipients decreased from 13.1 percent to 9.4 percent. 



Hyundai Green Zone

Project Turning Desert into Grassland in China



Hyundai Motor Company opened the Hyundai-KOICA Dream Center.

The Hyundai Motor Group has moved forward with the Hyundai Green Zone Project since 2008 to turn deserts in China into grasslands. In the project, native plants are planted in the Chakanor district of inner Mongolia so as to prevent yellow dust and desertification.

As a result of the first phase of the project that continued for six years, 50 million square meters of land was changed into grassland from alkali soil, and the Hyundai Motor Group was selected as one of the most socially responsible enterprises in China for four consecutive years from 2011 by the China Corporate Social Responsibility International Forum.

The automaker kicked off the Hyundai Green Zone II Project last year in Zhenglan Qi, 300km north of Beijing. This region is another one of the places where the yellow dust originates to affect the northern region of China as well as Korea. Together with EcoPeace Asia, the company creates 40 million square meters of grassland in this region until 2018.


The automaker has carried out various environmental projects for ecological restoration across the world, examples of which include not just the Hyundai Green Zone but also the Genesis Forest Project for reforestation in the Americas. Its youth volunteer corps Happy Move has made a great contribution to its global projects, sending more than 7,000 volunteering college students to remote and isolated areas located in over 20 countries.

Happy Move members are divided into teams engaged in regional community service, cultural service and traffic safety



Hyundai Motor Company organized the "Happy More Global Youth Volunteers" group.

service. The first is in charge of school construction and renovation, village environment improvement, child education, and so on, and the second has proceeded with cultural and education exchange campaigns and activities for the preservation of cultural heritage. The third has provided traffic safety education for local children and built learning sites.

The most recently recruited volunteers stayed in China, India, Cambodia, Myanmar, and Sri Lanka for two weeks. In China, they carried out activities for the preservation of the UNESCO World Cultural Heritage in Chongqing and built houses for the less privileged in Yancheng. They also set up traffic safety learning sites in Taiwan and built and renovated village facilities and schools in Chennai, India. In Cambodia, elementary schools in Siem Reap were repaired, and the construction of the technical institution of the Hyundai-KOICA Dream Center was completed with their assistance. The teams built elementary schools in Yangon, Myanmar and kindergartens in Colombo, Sri Lanka, too. 

Responsible Party

Nonghyup Bank Ranked First in Social Contribution

Nepalese agricultural workers in South Korea to which NH Bank donated aid kits stand together at the Korea Leader's Academy in Siheung, South Korea for a commemorative photo on April 16, 2014. (Photo via NH Bank)

by Jung Suk-ye

Nonghyup (NH) Bank, with 100 percent South Korean capital, contributes its entire revenue to its customers, farmers, and local society, the bank said.

According to the "2013 banks social contribution report" published by the Korea Federation of Banks (KFB), NH Bank's social contributions in 2013 were 100 million won (US\$92,260), which is the largest in the banking sector, NH Bank said. Not only has NH Bank been ranked first since 2011, but also ranked first for the sum of social contributions for eight years from 2006 to last year, of which the sum is 930 billion won (US\$858 million), the annual average of which is 116 billion won (US\$107 million), it said.

Over 50 percent of NH Bank's social contributions is focused on local communities, especially disadvantaged classes, the bank said. The bank also supports the education and culture sectors and local festivals, it said.

The volunteering groups of NH Bank staff, allocated to 157 counties, support foreign agricultural workers and social welfare institutions and provide rice, kimchi, and free food, the bank said.


A total of 669 employees of NH Bank also provide free



Kim Ju Ha, the CEO of NH Bank, is offering meals to the disadvantaged old people. (source: NH Bank)

finance education, called "NH being happy finance class," to financially disadvantaged multicultural families, escapees from North Korea, adolescents, and old people over the whole country, the bank said. The class advises retirement planning to seniors as well as hobby activities, the bank said. The class provides financial education as well as leadership, career, and school violence prevention educations. For multicultural or disadvantaged families, it provides Korean language education, Korean culture, and etiquette, and financial education, the NH Bank said.

This year, the NH Bank plans to increase the number of volunteering staff to 1,000 and set up 17 NH Adolescent financial education centers throughout the country, having provided 1,314 tailored financial education courses in total to 79,000 people in 2014, the bank said.

Kim Ju-ha, CEO of NH Bank, said that the bank will continue to provide social contributions. 



Caring for Community

KDB Daewoo Securities Actively Leads CSR Campaigns

Through its own corporate social responsibility (CSR) division, KDB Daewoo Securities has implemented several types of CSR activities under the motto of “Embodiment of society where people live together.”

The company started a multicultural family support program from 2009. Realizing that cooking was the most difficult task for immigrant wives living in Korea, KDB Daewoo Securities published calendars with simple recipes for Korean food in 7 languages and distributed them to these women.

Owing to an explosive response from foreign wives, the company published Korean food cookbooks, and more than 100,000 copies were distributed free of charge. After that, it commercially published the book in 10 languages to address soaring demand.

Currently, the company is giving newly-arrived women cookbooks in their own languages every year through the immigration offices of the Ministry of Justice in the country.

Also, the company developed bilingual education materials for mothers who do not speak Korean fluently to help teach their children their mothers’ own native languages. In a bid to promote continuous learning activities, it has hosted a “Bilingual Speech Test” every year from 2011.

The company was recognized for these programs by receiving a presidential commendation in 2012 and a Minister prize from the Ministry of Gender Equality & Family.

KDB Daewoo Securities’ multicultural programs have steadily evolved. In 2013, the company started a new project to improve misconceptions about multicultural families.

In cooperation with the Global Village Love and Sharing, the Multicultural Integration Research Institute from Seoul National University of Education, and KBS, the company produced improved programs of multicultural family awareness. From August 2013 to the end of 2014, a total of 63 program series were aired, including “Red Bicycle” on KBS 1TV.

Based on this animated film, the company also developed a teaching plan for elementary school students and distributed it to elementary schools through the Metropolitan and Provincial Offices of Education.

KDB Daewoo Securities carries out global CSR activities with an aim to promote a safe educational environment for children. With its junior boards’ studies on Africa in 2011, the company visited the Democratic Republic of the Congo and began these activities. It completed the construction of an elementary school in the country in 2013, and supports its school lunch program every year in cooperation with the World Food Programme (WFP).

As a cooperation project between KOICA, the company is jointly conducting the “Safe School” program in Indonesia and



KDB Daewoo Securities provided remodeling of school buildings in the disaster areas of Indonesia. (Source: KDB Daewoo Securities)



KDB Daewoo Securities published books and videos promoting understanding of multicultural societies. (Source: KDB Daewoo Securities)


the Philippines with international child sponsoring organization Plan Korea. For the program, the company renovates and extends schools in disaster areas, teaches the local residents how to cope with disasters, and develops an educational game app for children to improve their ability to deal with disasters.

KDB Daewoo Securities contacts their beneficiaries’ organizations one by one to develop and provide programs to meet their needs. The company works together with social enterprises and college student education volunteers, to run the program.

In particular, the company is planning to not only educate children from low income families but also expand the partnership with social economic enterprises in the global business.

Also, more than 85 percent of employees of the company have voluntarily involved themselves in its donation system called “Lovemeter” that automatically donates part of their monthly salary. Every month, about 40 million won (US\$36,931) goes to 46 charities nationwide, including welfare facilities for the disabled and daycare centers.

The employees of the company are serving the public through regular community service working at nearby welfare facilities, painting walls, working at farming villages, and making food.

An official from KDB Daewoo Securities said, “With the core value of growing together through equal opportunity, the company is currently performing regional friendly CSR activities and making every effort to do so in the future as well.” 

Energy Welfare

Hyundai Steel Presents CSR Model Connecting Benefits, Environment, and Employment

Hyundai Steel has presented a new form of energy welfare services that contribute to reduce greenhouse gases and create green jobs by easing the energy imbalance in low income groups. This is a fresh breeze blowing into the idea of corporate social responsibility.

Having conducted “Hopeful Home Fix — a home energy efficiency project” from 2009, the company has enhanced the residential environment and home energy efficiency of 580 houses.

Through the program, Hyundai Steel not only cut down the energy consumption of low-income families but also set the foundation to expand related businesses for energy welfare.

In cooperation with the Korea Housing Welfare Association, the company has pursued the Hopeful Home Fix project in order to solve energy inequality in the low income bracket.

While the existing business focused on house maintenance or supporting costs to low-income families, the Hopeful Home Fix focuses more on improving energy efficiency so that it can improve the energy imbalance problem in terms of consumption rather than supply.

An official from Korea Housing Welfare Association said, “When a certain amount of costs are invested, such as installing insulation and changing electric heating appliances with energy-saving devices, there are many ways to save energy in a long term perspective. For low-income families, however, it is the reality that they cannot afford to think about the cost-cutting effect of months and years. Calculating the persistence period of home fixes at 20 years, the Hopeful Home Fix is an economically valuable business that saves twice as much heating costs as construction expense.”

Hyundai Steel’s home energy efficiency project is an integrated business to improve welfare by lightening the economic burden of the low income group and protecting the environment by reducing energy consumption at the same time.

According to an analytic report on the Hopeful Home Fix project by the Energy & Climate Policy Institute (ECPI), it is estimated that Hyundai Steel reduced an average of 1,402 kg of carbon dioxide (CO₂) creation per household in 2014 alone by home remodeling and power reduction consulting.

This is what you can get when planting 280 pine trees

Hyundai Steel’s Hopeful Home Fix business is regarded as a model that not only positively affects the environment and welfare but also creates jobs.



Hyundai Steel provided housing environment improvement and energy efficiency consulting to 580 households, as a part of the company's CSR projects (Source: Hyundai Steel)




Hyundai Steel improved the housing environment of 580 households. (Source: Hyundai Steel)

By training professionals and activating relevant organizations for energy efficiency, the project can build infrastructure for energy welfare and, in turn, create green jobs based on the new infrastructure.

Indeed, the Hopeful Home Fix project is jointly run by its organizer, the Korea Housing Welfare Association, Hyundai Steel, project analysis firm ECPI, and the social enterprises of 17 construction firms. Also, it provides education to train green experts.

In 2004 alone, 895 people were employed through the project.

The Home Energy Coordinators were composed of volunteers who work for Hyundai Steel in the beginning. Thanks to the positive response from local residents, however, it is now expanded to a voluntary community service in the region.

The company will invest in energy welfare to spread through the whole society through close cooperation with businesses and related organizations. 

Providing Grounding Locally

POSCO Contributes All Over the Globe

POSCO is putting on “POSCO Family Global Volunteer Week,” which is a volunteering project for POSCO staff in over 20 countries since 2010, the company said.

Since POSCO supported a Pakistani region damaged by an earthquake in 2005, the company has been providing emergency aid to areas in Taiwan, Russia, Haiti, Iran, India, Indonesia, China, Turkey, Thailand, and the Philippines that are near to the company’s overseas plants.

The “POSCO 1% Sharing Foundation” is carrying out the POSCO village construction project, which provides housing environments to low-income Vietnamese families, POSCO said.

Thanh Hoa in Vietnam, where a POSCO village will be built, has 433 households, or 25 percent, which are desperately poor and need homes.

The “POSCO 1% Sharing Foundation” plans to build 24 houses from October 2014 to this August as well as 40 houses from this September to February 2016.

In addition, the foundation will install water and sewer infrastructure and construct 85 households for 340 residents. The foundation will also provide education and management skills, water saving, and sanitation.

In the POSCO Village construction project both Vietnamese POSCO staff and also the “POSCO 1% Sharing Foundation” overseas volunteer staff will participate.

The “POSCO 1% Sharing Foundation” is a corporate social responsibility (CSR) program which is tailored for the needs of developing countries’ local people, contributing to the self-reliance of the regional communities.

The “POSCO 1% Sharing Foundation” is trying to improve the self-reliance of regions of Ethiopia which are suffering from poverty and famine.

Retired POSCO Group staff and sometimes their children volunteer in Handode, Debeso, and Adulala in Ethiopia, transforming these areas.

Last year, the number of POSCO Group’s volunteers expanded to 16, so in total 34 volunteers were delegated by December 2014.

After a month-long local culture course, the volunteers develop and carry out projects that regional communities need such as income-basis setup, living environment improvement, and health services, for a year.

The “POSCO 1% Sharing Foundation” developed a “short-term research course” for the leaders of underdeveloped countries in order to help them develop national self-reliance.



POSCO promoted its corporate social responsibility (CSR) in Mongolia.




POSCO promoted its corporate social responsibility (CSR) in Indonesia.

The foundation shares the South Korean economic development model and experiences, and provides further help to the course’s trainees so that they can develop a sustainable economic development model through comparing the South Korean case and their own countries’ situation.

Last year, the foundation invited 16 leaders from Indonesia and India, providing a short-term study program, which the participants appreciated.

POSCO also established KP Social Enterprise (SE) in Cilegon, Indonesia, which is near to POSCO’s steel mill in the country.

KP SE will employ 59 young disadvantaged people near the steel mill.

The young people employed by the social enterprise will be provided a vocational education program, while they are responsible for the environmental management of the steel mill, an official from POSCO said. So, the youth can develop a basic grounding that will be useful for a more stable and professional career, the official said. 

by Jung Suk-ye

Preventative Medicine

Hanwha Life Donates Health Care to Vietnam

Hanwha Life has donated health insurance cards to underprivileged people and plans to construct a public health center in Vietnam, the company said.

Hanwha Life donated 800 health insurance cards to underprivileged people in Binh Định on April 1, the company said. It also plans to donate a further 9,250 health insurance cards to underprivileged people in 11 other areas in Vietnam, including Hồ Chí Minh, Gia Lai, Lam Dong, Đồng Tháp, and Cần Thơ, it said.

In Vietnam, individuals have to purchase health insurance cards annually. Underprivileged people are required to pay for 30 percent of the cost, as the government subsidizes 70 percent, Hanwha Life said. Hanwha Life supports the underprivileged old elderly and children with the health insurance cards costing 95 million won (US\$88,028), which is the second support following last year welcomed by the locals, the company said.


Underdeveloped areas in Vietnam have only older, provisional health care facilities without treatment and emergency rooms, and

therefore the death rate of infants and toddlers less than five years old is high, Hanwha Life said. Therefore, the company planned to construct and donate one public health center to local governments in underdeveloped areas every year, it said.

This year, Hanwha Life planned to build a public health center equipped with maternity wards, hospitalization rooms, and a vaccination room in Tỉnh Hòa Bình.

Hanwha Life is also going to donate 15 houses to underprivileged people, for which the Vietnamese government provides national land, the company said. The company has donated 133 houses since 2013, it said.

Baek Jong-guk, president of the Hanwha Life Corporation in Vietnam, said, "I am very happy to provide health care and homes to the suffering neighbors today, which is the sixth anniversary of the company's entrance into Vietnam.

"Hanwha Life will continue to do social contributions that fit Vietnam, in accordance with the Together Further motto of Kim Seung Yoon, the chairperson of the Hanwha Group," he said. 



Baek Jong-guk (center) stands with Nguyen Tan Hieu (left), chief of a civic group supporting underprivileged patients in Binh Định Province in southern Vietnam, and some of the civic group members on April 2.

Sharing Culture

Mirae Asset Trains Global Talent by Supporting Scholarships to Overseas Exchange Students

Mirae Asset's corporate social responsibility (CSR) starts from their motto of "practice of warm capitalism." Based on the Mirae Asset Park Hyeon Joo Foundation established in March 2003, the company is carrying out CSR activities in an organic cooperation between its subsidiaries. The activities are divided into three sections: talent training, social welfare, and sharing culture.

These are the areas where Mirae Asset can most effectively contribute to public welfare as an investment and finance company and show continuous results in the long-term point of view.

With various talent training programs, Mirae Asset is supporting young students so that their dreams come true.

Until now, about 5,700 young students have been provided scholarships, including 3,117 overseas exchange students on scholarship, 2,436 domestic scholarship students, and 122 global professional investor scholarship students.

In particular, "Overseas Exchange Students on Scholarship" is a major CSR project of Mirae Asset that provides scholarships to students who are selected by its founder's alma mater as exchange students of overseas colleges.

The program allows younger people to learn a wide range of culture and knowledge by studying at prestigious universities overseas so that they can have broad perspectives and bigger dreams. Starting from 2007, the company selects scholarship students twice a year and is also planning to choose an additional 400 students this year.

For elementary and middle school students, the company runs the Global Leader Tour Program that enables young students to visit advanced countries and have various cultural experiences. Also, it carries out a Global Culture Experience program every year to provide opportunities to visit other countries to children from low income families at local community child centers. Until now, a total of 11,988 children participated in the program.

Also, it raises 15 percent each of the management and the sales fees from "Our Child Fund" for a youth financial support fund every year. Based on this, the company has provided economic educational opportunities such as "Our Child Economics Class", "Our Child Economics PhD," and "Our Child School Tour" to 88,461 children until now by subdividing by age group.

Mirae Asset's social welfare programs are focusing on children who are in the welfare blind zone due to economic bipolar-



Mirae Asset provides overseas cultural visits to elementary and middle school students.

ization and the breakdown of families.

The Global Culture Experience program allows economically disadvantaged children at community child centers to visit Shanghai, learn its history, and experience the culture of the country.


The company runs various programs twice a year, including tours of global companies and cultural sites. By offering children opportunities to experience the wide world, the company embraces and supports their dreams and hopes.

In addition to CSR, Mirae Asset is taking the lead in spreading sharing culture.

Mirae Asset Chairman Park Hyeon-joo decided to donate all of his dividends amounting to 1.6 billion won (US\$1.49 million) this year. Starting from 2010, he has contributed his dividends for five years, which amounted to approximately 16.8 billion won (US\$15.59 million), to fulfill his promise to spend them on youth. The donation goes to the Mirae Asset Park Hyeon Joo Foundation to train talent.

Mirae Asset's executives are donating 1 percent of their salary every month, while its employees are participating in regular donations thorough the company's donation drive called "I love you."

By adopting a matching grant system, the company matches individual donations to use them for social welfare programs.

Moreover, the company launched Mirae Asset's Volunteer Corps comprised of its employees and executives and has been involved in community service regularly from 2008 in relation to the facilities of childcare, the disabled, and the elderly. 

Giving Life

Korea Western Power Gives Blood Donor Card and Donation to Seoul National University Children's Hospital

Korea Western Power or KOWEPO (President Cho In-kook) recently gave blood donor cards and donations, which were contributed last year from its executives and employees, to Seoul National University Children's Hospital and participated in community service to play with child patients.

KOWEPO's employees are participating in the "Blood Donation Relay of Love," which is being held every year for patients whose lives are in danger due to a blood supply shortage.

Also, they are also contributing the blood donor cards, which are received after donating their blood. Last year alone, the company offered a total of 563 blood donor cards to Seoul National University Children's Hospital so that they can be used for serious patients with incurable diseases who need a large amount of transfusion.

Also, a total of 10 million won (US\$9,282) was raised as a "Sharing Love Fund" after the company's employees voluntarily donated part of their salary every month. This donation will be provided to pediatric cancer patients who cannot afford medical treatments due to financial problems.

On the same day, KOWEPO's employees carried out community service to play with pediatric cancer child patients.

As the employees put cute stickers on child patients' small hands and faces and delivered presents for Children's Day, they made every effort for child patients suffering from pediatric cancer to forget pain for a while and have a good time.



The Korea Western Power's staffs volunteered to amuse children suffering from cancer. (Source: Korea Western Power Co., Ltd)

An employee involved in the community service said, "With the hope that I can be a little help to child patients, who are suffering from ill health, by donating my blood, I took part in the service. As I saw their happy faces, it was my pleasure to be part of it."

KOWEPO Administration General Manager Chung Young-cheol, who participated in the delivery ceremony and the volunteer work on the same day, said, "I am happy that our company took part in valuable programs that save lives with little effort. Especially, I hope this donation sends the message of dream and hope to child patients."

An official from Seoul National University Children's Hospital said, "It was touching to see children smiling with a positive vibe. We appreciate the KOWEPO's executives and employees for their donation and blood donor cards along with the community service."

Meanwhile, the company continues the tradition for 10 years that employees who are promoted participate in community service.


From 2005, those who get promoted serve at social welfare facilities during the weekend every year, rather than buying dinner for their colleagues.

This year, 26 employees who were recently promoted to managers at the beginning level visited the Pyeongtaek Elderly Nursing Home in the city of Pyeongtaek, cleaned the rooms, helped the elderly who had difficulties with mobility, and ate and talked with them. Also, the employees gave a small amount of donations on the spot.

Previously, those who were promoted by one or two positions served the Central Retirement Nursing Home in Suwon.

Through the volunteer work, the executives, who will be in charge of the important businesses of the company in the future, resolve to practice its sharing management once again.

During the community service period, the volunteers grieved for the news that a 104-year old grandmother, who was the oldest in the Central Retirement Nursing Home, had passed away.

An official from the human resources management division at KOWEPO said, "Recently, news frequently comes that the elderly, who have no place to turn to, died in solitude. We believe that our company serving the elderly will be another model of CSR activities." 

Vaccinating Ethiopia

LG Electronics Supports Self-sufficiency of Ethiopians

LG Electronics is doing a variety of community services for the self-sufficiency of the Ethiopian people, the company said. The United Nations nominated the country as one of the poorest in the world.

LG Electronics and the International Vaccine Institute (IVI) co-promoted a cholera vaccination event last February in Ethiopia, LG Electronics said.

LG Electronics and IVI vaccinated 50,000 people for cholera of Oromia in Ethiopia, which has been categorized as a cholera risk area, LG Electronics said.

The cholera vaccine, the world's first low-cost oral product, is usable all over the globe, as it was approved by the World Health Organization (WHO).

LG Electronics cooperates with the Ethiopian Public Health Institute (EPHI) for the vaccination campaign, as well as training local healthcare personnel. The two companies will also continually promote the vaccine Oromia, and visit about 10 schools in areas lacking in hygiene to provide health and hygiene education, LG Electronics said.

Lee Choong-hak, director of the management support unit of LG Electronics, said the company, in cooperation with IVI, will continually pursue the vaccination project in Ethiopia.

Jerome H. Kim, next secretary general of IVI, appreciated LG Electronics' sponsorship for the biomedical sectors of poor countries.

LG Electronics has been doing the "Ethiopia cholera vacci-




LG Electronics has been doing the "LG hope village" project which supports Ethiopian people's freestanding, the company said.

nation project" since 2010, the company said.

The LG-IVI vaccination project follows a vaccination safety test, regional research, and participation of medical staff and relevant institutions, LG Electronics said.

LG Electronics has also been doing the "LG hope village" project which supports Ethiopian people's freestanding, the company said.

LG Electronics is the first conglomerate which established its overseas subsidiary, focusing on corporate social responsibility, in Ethiopia, the company said. The company's branch in Ethiopia is aimed at helping people become continually self-sufficient, the company said. For this goal, LG Electronics has been setting up a "freestanding rural village," vocational training school, and sponsorship for the descendants of Korean war veterans for three years, the company said.

Until 2015, LG Electronics plans to support improvements of village infrastructure, trial farm set-up, and village leader education, the company said. 



Vaccine recipients pose with a commemorative banner.

Construction, Education

Samsung C&T Develops Indian, Thai Villages

Samsung C&T is developing local communities in Thailand and India, the company said.

Samsung C&T had a groundbreaking ceremony for a “vocational and technical education center for youth” construction at Ban Bueng, Chonburi, on April 3, the company said. The company will construct a new vocation and technology center, and remodel three existing buildings, it said. The projects are planned to be finished by this September, the company said.

Samsung C&T staff, Ban Bueng citizens, students and their parents, and staff of Plan Korea and Plan Thai participated in the ceremony, Samsung C&T said.

This project is aimed at enabling 300 adolescents to obtain



Samsung C&T had a groundbreaking ceremony for a vocational and technical education center for youth construction project at Ban Bueng, Chonburi, on April 3. A

economic independence after receiving an education curriculum that Samsung C&T and Plan Korea will develop by May 2016, Samsung C&T said. The education includes an emphasis on Samsung Electronics' products, considering employment support for Thai students, Samsung C&T said.

Samsung C&T, with Habitat for Humanity, will do a groundbreaking ceremony for the construction of the 2nd Samsung C&T village at Chargaon village, Ambarnath district, Maharashtra state, the company said.

The 2nd Samsung C&T village will remodel 131 existing houses and sanitary facilities and provide computer education to 200 children Samsung C&T said. 


by Jung Yeon-jin

Sangsang Village

KT&G Supports Low-income Indonesians with Sangsang Village Project

KT&G launched a “Sangsang Village” project that improves the housing environment of overseas low-income families, the company said.

First, KT&G will fund 640 million won (US\$ 594,246) over 12 months to improve the overall living conditions by rebuilding 40 homes, building public toilets, and fixing drainage systems in Surabaya, Indonesia, the company said. The company also planned to provide finance and hygiene education, it said.

Ji Hyo-suk, director of the social contributions sector of KT&G, said the company has been donating 2 percent of its revenue annually, which is over 10 times the average of the top 100 South Korean companies. The company will continually support overseas low income classes, he said. 

by Lee Song-hoon



Members of KT&G's Sangsang Village project pose with a commemorative sign at Incheon Airport in Korea. (Photo via KT&G): Members o

Labor Slump Continues

Top 30 Business Groups Investing More, Hiring Less



South Korea's top 30 business groups only slightly increased the number of workers last year, industry data showed Wednesday. It indicated that the conglomerates seem to be not so willing to ease the country's prolonged labor market slump.

According to the data by CEO Score, a local corporate researcher, the number of people employed by the country's 30 large business groups are added up to 1,023,574 as of the end of last year. The number increased by 12,706 workers (or 1.3 percent) compared to a year earlier. However, the growth rate of employment is lower than the 1.6 percent of 2013. Even worse, the number of non-regular workers increased 4 times faster than that of the regular employees. The number of regular jobs guaranteeing better security, more salary, and extra payments did not increase quickly either. The result implies that the labor market situation figures a need for improvement.

The Park Geun-hye government continues to urge leading groups to increase hiring to revitalize the economy and encourage consumption. However, a survey showed that new employment this year will likely decline as companies are reluctant to pay the increasing labor costs, though they are enlarging investment.


"For the past three years, the job growth rate stood in the 1 percent range ... It is very worrisome that the largest business groups provide relatively quality jobs, but they had not expanded

much," a CEO Score official said.

The data said that among the leading companies, Shinsegae Group, Hyundai Motor, and Hyundai Department Store scored the highest new employment rate of over 5 percent. On the other hand, Daewoo Engineering & Construction Co. reduced its employment by 13.1 percent, the largest decrease among the top 30 groups, and Dongbu cut the number of its workers by 11.3 percent.

The Shinsegae Group, South Korea's leading retail company, was recorded as the largest employer in the 2014 labor market, expanding its employment by 5.5 percent up to 150,672 from 40,877 last year.

Hyundai Motor was ranked second with 150,672 new hires, a 5.5 percent increase, followed by Lotte (3.9 percent), Hanhwa Group (3.1 percent), and POSCO (3 percent). Those five conglomerates accounted for a combined 60.8 percent of the total payroll of the 30 business groups surveyed, the data showed.

The highest rate of regular workers was released by OCI Company Ltd., where 98.1 percent of all employees are working in a permanent position. YoungPoong Corp. (97.7 percent), Hyosung (97.5 percent), Mirae Asset and Daewoo Shipbuilding & Marine Engineering co., Ltd. (each 97.0 percent), and LG Corporation (96.9 percent) followed. 

by Mary Park

Out On Top

LG Display Dominates Global OLED Market

As LG Display came out on top in the small and medium-sized display market after the large display panel market, it has become the first company to dominate the large, medium, and small-sized LCD market for the first time in the industry.

According to sources in the industry on April 23, LG Display had led the global large display market for 21 consecutive quarters from Q4 in 2009 to Q4 last year, showing the strength in the large display market. However, the company had lagged behind Samsung Display in the small and medium-sized panel market.

Samsung Display had ranked first in small and medium-sized panels for 20 quarters straight, from Q4 in 2009 to Q3 last year.

According to the recent data from DisplaySearch, however, LG Display came in first place in the market of small and medium-sized panels at less than 9 inches, which are being used in smartphones and tablet PCs, in Q4 last year for the first time ever.

As LG Display recorded US\$2.107 billion (2.28 trillion won) in sales and 18.7 percent in market share based on sales in Q4 last year, the company pulled ahead of Japan Display and Samsung Display. During the same period, Samsung Display fell to third place, overtaken by Japan Display.

LG Display's growth was largely due to the fact that the company had won more clients thanks to its superior competitiveness in the LCD panel sector and improved sales of high-value-added products, including a round plastic OLED display being used in smart watches.

In particular, LG Display saw rapid improvement in its performance as



Apple's iPhone 6, which display panel was supplied by LG, gained much popularity in Q4 last year. Also, the fact that LG Display monopolized the supply of the panel to Apple's smartwatch also influenced the result.

LG Display, which shows overwhelming market power in the LCD market, is also planning to expand the lineup of thinner semi-TV sets, including the Quad UHD 8K, in the TV sector this year, in a bid to strengthen its power in the LCD market.

Also, the company will unveil new products such as its own AIT technology, a Quad High Definition (QHD) LCD panel for smartphones, and a borderless monitor.

Along with the LCD market, LG Display is also accelerating the OLED market invasion in order to keep its global number one position.


Starting the supply of OLED TV panels in 2103, the company secured various clients, including China's Skyworks and Konka, last year, expanding the market.

With LG Display considering this year the right time to expand the OLED, the company is accelerating the OLED business by reorganizing and extending facili-

ties. LG Display established the OLED business unit with its President Yeo Sang-deok, and is aiming to produce a total of 34,000 units in the 8th generation OLED TV panel manufacturing line by the end of this year. Currently, this production line produces 8,000 units of OLED panels every month.

Also, LG Display will decide whether to make additional investments in the 4.5 generation OLED production line with a monthly production capacity of 14,000 units in Paju, depending on technology and market development situations, including foldable OLEDs.

Meanwhile, LG Display announced on April 22 that it recorded 743.9 billion won (US\$686.82 million) in operating profits in Q1, a 689 percent increase from a year earlier. Its sales increased 25.7 percent to 7.0223 trillion won (US\$6.48 billion) compared to the previous year, and the net profits amounted to 475.7 billion won (US\$439.2 million), turning into the black.

Comparing with Q4 last year, operating profits grew 19 percent, while net profits increased 22 percent. Sales dropped 16 percent from 8.342 trillion won (US\$7.7 billion) in Q4 in 2014. 

by Cho Jin-young

Five in One

LG Life Sciences Succeeds in Clinical Trials for 5-in-1 Vaccine Eupenta

LG Life Sciences (www.lgls.co.kr) has announced that it successfully finished Phase III international clinical trials of Eupenta, which is the company's first five-in-one liquid vaccine.

Eupenta can prevent five different childhood diseases - diphtheria, tetanus, whooping cough, hepatitis b, and meningitis - with a single injection. The diseases have high death rates in children under five.

Only six companies in the world have World Health Organization (WHO) pre-qualifications due to the high entry barriers, such as the level of difficulty in manufacturing technology, qualified raw materials, and difficult manufacturing process.


LG Life Sciences said that the product proved its superior seroprotection rate and safety in a phase III clinical trial with 600 children conducted in the Philippines last year.

Also, unlike the existing five-in-one vaccine in the powder form, it is contained in a vial. Therefore, it is easier to produce, distribute, and ensure quality, making its use more convenient.

The company is planning to obtain WHO pre-qualification for



Eupenta in the second half of this year. Then, it aims to participate in an annual 400 billion won (US\$361.99 million) international tender of the UN-affiliated organization for five-in-one combined vaccines, and supply more than 25 percent of the products in the future. Also, LG Life Sciences will focus on export expansion to the Middle East, Asia, and the South American region.

LG Life Sciences President Jung Il-jae said, "Along with the acquisition of WHO pre-qualification for Eupenta, we will focus resources on our core business and visualize results in the global markets, including the approval of the new diabetes treatment Zemiglo in global emerging markets, and the sale extension of the skin care product Yvoire in the Chinese market." 

by Jung Yeon-jin

Southern Strategy

Dong-A ST Licenses New Diabetes Drug Evogliptin to Latin American Countries



The headquarters building of Dong-A ST.

Dong-A ST has licensed its new diabetes drug Evogliptin to 17 Latin American countries including Mexico, Venezuela, Argentina, Chile, Colombia, Ecuador, Peru, the Dominican Republic, and Uruguay. Jung Jae-wook, Dong-A ST's PR manager, told Business Korea.

Dong-A ST and Eurofarma, a Brazilian pharmaceutical company, concluded the licensing contract at Dong-A ST's headquar-


ters on April 13 in Seoul.

Eurofarma will be responsible for Evogliptin's product development and sales in the 17 Latin American countries, Dong-A ST said. Dong-A ST will receive royalties from Eurofarma, and export the raw material of the medicine.

Dong-A ST has been developing Evogliptin with the support of the Ministry of Health & Welfare of South Korea as an innovative new medicine research project since May 2008. Evogliptin is a DPP-4 remedy based on the inhibition mechanism which is "excellent" at reducing blood sugar, whilst "less likely" to cause weight increases and hypoglycemia, the company said.

Park Chan-il, president of Dong-A ST, said that Dong-A ST will pursue further out-licensing "over the globe," through continuous investment in research and development.

Maurizio Billi, Eurofarma's president, wished to expand both companies' partnership in the innovative new remedy development sector, according to Dong-A ST.

Last July, Dong-A ST and Eurofarma concluded a contract out-licensing Evogliptin to Brazil itself, the company said. 

by Oh Seung-mock

Medicine, Trees, and Schools

Green Cross Showing Remarkable Business Performance Abroad



The landscape of the Green Cross R&D centre.



Green Cross vaccines for flu and varicella.



Green Cross remedy for immunodeficiency, I.V. Globulin S.

Green Cross broke the US\$200 million mark in accumulated annual exports in 2014, the first time among Korean pharmaceutical companies, by recording a year-on-year increase of 40 percent.

The vaccine business unit accounted for US\$60 million of it, showing an increase of 60 percent from a year earlier. It exported flu vaccines worth US\$38 million via a Pan American Health Organization (PAHO) bidding. An arm constituting the World Health Organization, PAHO is one of the world's largest vaccine buyers. Also, the export of albumin, which prevents shock from excessive bleeding, and the immunodeficiency medicine of IV-Globulin SN to emerging markets such as China, India, and the Middle East increased as well.

In January 2013, Green Cross won a blood fraction product plant supply contract from Red Cross of Thailand to become the first Korean pharmaceutical company to export biological product plants. The project is scheduled to be completed in the third quarter of this year,


and Green Cross is talking over similar export contracts with Indonesia, Malaysia, and other Southeast Asian nations.

Its exports are likely to continue to mount this year. Green Cross recently won 100 percent of the PAHO bidding for varicella vaccine supply for 2015 to 2016, worth US\$75 million, and obtained a US\$29 million flu vaccine supply contract for the southern hemisphere for this year.

In the meantime, Green Cross is planning to set up blood fraction product manufacturing facilities with an annual plasma processing capacity of 1 million liters in Montreal, Canada. To this end, it founded Green Cross Bio Therapeutics as an overseas corporation in the country early last year, and signed an agreement for financing and preferential purchasing with the government of Quebec. The construction process is to be started in the first half of this year and completed by 2019.

North America represents 44 percent of the global blood fraction product market estimated to be at 20 trillion won (US\$18.5 billion). Green Cross is expect-

ing that its business in Canada will open the door to the United States as well. In this context, Green Cross is making efforts for the procurement of blood plasma. Green Cross America, its overseas corporation in the U.S. established in 2009, is running six blood centers in California, Texas, Idaho, and the like, and can supply up to 300,000 liters of blood plasma a year. Green Cross America is going to increase the number of its blood centers in the U.S. and the annual supply capacity to 20 and 1 million liters by 2017, respectively. Four of the additional blood centers are scheduled to open this year.

The export of the IV-Globulin SN to the U.S. is around the corner, too. The phase 3 clinical trial in North America finished two years ago, and the company is currently preparing for the cGMP certification in the Ochang Plant. Last year, it renovated its blood fraction product and finished product manufacturing facilities and produced the prototype of the IV-Globulin SN for export to the U.S. Green Cross is going to apply for the import license before the end of this year. 



South Korea's consumer price hike rate has hit zero for the last four months, as indicated by the consumer price index. The current analysis states that deflation has been actualized, as the consumer price increase has shown negative growth rates when excluding the effects from the rise of cigarette prices.

Statistics Korea said that the consumer price index in March increased 0.4 percent from a year ago. It is the lowest figure in 15 years and 8 months, when the consumer price increase rate was as low as 0.3 percent in July 1999. The consumer price hike rate hit 0.9 percent in October 2013 and had stayed at the 1 percent level for 13 consecutive months since then. It plummeted to 0.8 percent in December 2014. Things did not improve, as the growth rate figure maintained a downward trend for the next three months, showing 0.8 percent in January 2015 and 0.5 percent in February 2015.


The core inflation rate, with the exception of agricultural and petroleum products, had increased 2.1 percent from a year before to hit the 2 percent level for three consecutive months. Last year's figures were at the 1 percent level for four consecutive months, from September to December. The consumer price index for living necessities decreased 0.8 percent from a year ago, and the index for fresh foods also decreased 2.0 percent year-on-year. The inflation rate of agricultural products went down 0.8 percent, while that of industrial goods decreased 0.5 percent from a year ago due to low oil prices.

The 2,000 won price increase on cigarettes managed to somewhat lessen the drop of overall consumer prices, as the prices of local Korean cigarettes went up by 83.7 percent and export cigarettes by 66.7 percent, respectively. The price increase of cigarettes contributed to increasing the inflation rate by 0.58 percent

overall. When this factor is taken out of the equation, it is deemed that the actual consumer price increase rate is -0.18 percent. It is another negative growth indicator, following February's -0.06 percent.

Some say the national economy has actually entered into a stage of deflation. Guest Researcher Oh Jung-geun at the Korea Economic Research Institute said, "The fact that the consumer price increase rate is in the negative when taking out means that the economy may be in the early stages of deflation," adding, "This is a serious matter." The Korean government also voiced their concerns through the Minister of Finance and Economy Choi Gyoung-hwan, who stated that he was concerned that such a continual downward spiral of low prices could eventually lead to deflation.

However, others hold a different view of the current situation, saying that the national economy is not so serious as falling to deflation. They say that the expected inflation is still at the mid-two percent level and the GDP deflator, which reflects the overall state of the prices, did not go down significantly.

The GDP deflator was at 0.2 percent and 0.1 percent in the second and third quarters, respectively, and increased to 0.7 percent in the fourth quarter. Lee Jun-hyup, chief researcher at the Economic Trend Analysis Department at Hyundai Research Institute, analyzed that the economy is not facing deflation in a strict sense. The Bank of Korea also similarly suggested an optimistic opinion, as central bank head Lee Joo-yul said that the possibility of the national economy plunging into deflation is quite low during the lunch meeting that commemorated his one year anniversary at the post. 

by Cho Jin-young

Stable Foundation

BOK Believes Korea Will be Unaffected by Higher Base Rate in US



The Bank of Korea building in downtown Seoul. The building was completed in 1912.

The Bank of Korea (BOK) said, “Even when the U.S. raises the base rate, the impact on the domestic market will be bearable.”

According to the current situation data submitted to the Strategy and Finance Committee in the provisional session of the National Assembly on April 21, the BOK said, “As Korea has maintained a current account surplus, its basic economic condition is sound. Also, the ability of foreign payments, including the expansion of foreign exchange reserves and the decrease of short-term foreign debts, is improving.”

The current account registered a surplus of US\$6.44 billion (6.97 trillion won) in February, recording its 36th straight month after March 2012. The BOK believes that the figure this year will reach US\$96 billion (103.92 trillion won).

The nation’s foreign exchange reserves at the end of March amounted to US\$362.75 billion (392.68 trillion won). It has maintained the level of US\$360 billion (389.7 trillion won) after it recorded US\$360.91275 billion (390.69 trillion won) in May last year.

As of the end of last year, the balance of foreign debt totaled US\$425.4 billion (460.5 trillion won). Among them, short-

term debt with less than a year of maturity reached US\$115.3 billion (124.81 trillion won), accounting for 27.1 percent of total foreign debt. Even though the share increased slightly from 26.4 percent at the end of 2013, the figure was only 31.7 percent compared to the foreign exchange reserves. It was the lowest after the financial crisis in 2008.

Regarding when the U.S. raises the base rate, the BOK said, “There is growing belief that it will be little later than expected, which is in June. This is largely due to the recent sluggish employment indicators and the consumer prices forecast downward in the U.S. However, the Federal Reserve can raise the base rate earlier than expected when the U.S. economy picks up quickly.”


It also added, “If it overlaps with the global risks like the Greece issue, the domestic economic conditions can be greatly influenced, including the outflow of foreign investment and the sudden rise of exchange rates, interest rates, and stock prices.”

Meanwhile, Deputy Prime Minister and Minister of Strategy and Finance Choi Kyung-hwan said on April 21 that he would adhere to expansionary fiscal policy until the recovery of the Korean

economy can be directly felt.

“There is no change in the plan to execute 59 percent of this year’s budget before the end of the first half of this year,” he remarked at the meeting of the Strategy and Finance Committee of the National Assembly, adding, “The Korean economy is showing signs of gradually recovery these days, and I believe that expansionary fiscal policy, economic restructuring, and policy for economic revitalization will add speed to the recovery.”

The Deputy Prime Minister is going to accelerate economic restructuring as well by starting the legislative processes for the tasks discussed in the recent tripartite talks to reach a consensus, examples of which include measures against youth unemployment and uncertainties with regard to the retirement wage and working hours. Standards are to be prepared based on precedents and the like when it comes to the clarification of references and procedures for labor contract termination, wage system reform for the introduction of a retirement age of 60, and other matters.

Also, the Financial Reform Commission, which was launched last month, will be in charge of the acceleration of the financial sector reform.  by Jung Yeon-jin

Changing Trend

Korea-China Import Export Penetration Rate May Reverse



Although the Bank of Korea (BOK) predicted in the beginning of the year that the economy will turn around in the first quarter, overcoming the poor performances in last year's fourth quarter, it is, however, continually showing a poor real economic index in the beginning of the year.

With poor real economic indicators continuing, the South Korean economic growth rate is expected to show zero percent growth for six quarters in a row, as the rate is likely to stay at the zero percent level in the first quarter.

One official from a private economic research institute said on March 15, "The growth rate of the first quarter compared to the previous quarter is expected to stay at a zero percent level, as the indices such as the industrial product and export indexes were poor in the beginning of the year along with deteriorating consumer sentiment." The official added, "If the growth rate stays at the zero percent level even with the base effect from the fourth quarter of last year, which showed a low growth rate, it means that the national economy is going through a considerable hardship."

Specifically, the industrial output in January dropped by 1.7 percent and, in particular, the reduction in mining and manufacturing industries was the greatest since the financial crisis in 2008 with 3.7 percent. Exports decreased 0.7 percent and 3.4 percent in January and February, respectively, and consumption also reduced 3.1 percent in January. The consumer price index in February was 0 percent for three consecutive years, recording negative growth except for 0.58 percentage points from the cigarette price increase. It means that the economy has moved one step closer to deflation, in which prices turn downward and business slows down. According to Nielsen's recent consumer confidence survey, Korea's consumer confidence index fell from 52 to 48 between the third and fourth quarters of last year. The only country lower was Italy, recording 45.

According to a survey of 34 economists from private and

national research centers, academia, and financial institutions conducted in early February, 64.7 percent of them say that the Korean economy is in crisis. They also said that the growth rate of the economy this year would not reach the forecast of the Bank of Korea of 3.4 percent, let alone the forecast of the government of 3.8 percent.

Domestic and foreign economic research institutes, which reported South Korean economic growth at rates from mid to late 3 percent, are working to lower or change the growth rate predictions. The BOK changed the growth rate to 3.4 percent in January. The Korea Institute of Finance (3.7 percent), Korea Economic Research Institute (3.7 percent), and Hyundai Research Institute (3.6 percent) are also looking to lower their predictions.

Foreign institutes already lowered South Korean growth rates one after another. The IMF lowered the growth rate to 3.7 percent from the original 4.0 percent. Nomura Securities lowered it to 2.5 percent from the original 3.0 percent on March 10, giving out a 2 percent level growth prediction for the first time. Deka Bank lowered the growth rate prediction from 3.3 percent to 3.0 percent, Moody's Corporation from 3.4 percent to 3.0 percent and IHS Economics from 3.1 percent to 3.0 percent, respectively.

Under the circumstances, Korea's central bank unexpectedly slashed its key interest rate by a quarter of a point to a record low of 1.75 percent on March 12. It is reportedly to prevent the nation from falling into deflation and to support economic growth even at the expense of spurring household debt, which was already at 163 percent of disposable income in 2013.

"The Korean government recently cut the key rate to below 2.0 percent, and has come up with a series of economic stimulus measures, but the consumer confidence index of Korea showed no signs of improvement at all," Nielsen Korea explained, adding, "This means the domestic economy could be mired in a long-term recession."

by Jung Suk-ye

Exports Rising

Korea Records Trade Surplus for 38 Months in a Row

The Ministry of Trade, Industry & Energy announced on April 1 that Korea's exports declined by 4.2 percent to US\$47 billion and its imports decreased by 15.3 percent to US\$38.6 billion in March this year compared to the same month of the previous year. The trade surplus added up to US\$8.4 billion for the country to record a surplus for the 38th consecutive month. The year-on-year decrease in exports totaled 0.7 percent and 3.4 percent in the two preceding months, while the year-on-year decrease in imports amounted to 11 percent and 19.6 percent during the same period.

Last month, the petroleum product exports declined by 32.5 percent, electronics products by 17.2 percent, petrochemical products by 16.1 percent, and wireless communication equipment by 10 percent. By destination, the shipments to China and Europe fell 2.4 percent and 9.7 percent, respectively. In the meantime, a decline in the import prices of raw materials such as crude oil led to a reduction in imports. The amount of crude oil imported in March this year increased by 4.9 million barrels from a year earlier, but the price per barrel dropped from US\$108.40 to US\$57.10 during the period.

Korea showed an export growth rate of 2.3 percent in October last year, negative 2.7 percent in November 2014, 3.1

percent in December, and negative 0.9 percent in January this year. In the same four-month period, the global export growth rate reached 1.1 percent, 4.2 percent, 2.5 percent, and 10.4 percent. Korea beat France to climb to sixth in world export rankings.

Korea's trade balance almost quadrupled in comparison to that recorded in the first half of 2014. Specifically, the amounts were US\$21.461 billion vs. US\$5.17 billion.


Meanwhile, the export economy for the second quarter is expected to get better than that of the previous quarter due to the economic recovery of major developed countries like the U.S.

According to the 2015 Second Quarter Export Business Survey Index (EBSI) Report made on March 31 by the Institute for International Trade under the Korea International Trade Association targeting 702 local export companies, the EBSI for the second quarter recorded 112.0, increasing expectations on the improvement of export conditions.

The closer the EBSI gets to 200, which is an index with a standard of 100, maximum of 200, and minimum of 0, the more opinions there are that see the economy positively in the next quarter than the previous quarter. Conversely, the more negative opinions there are on the

economy, the closer the EBSI gets to 0. Since the index becomes 100 when positive opinions are balanced with negative ones, 112 means that there are slightly more opinions seeing the economy positively.

The export companies also expected that business talks and contracts for export will increase and the facility utilization rate will rise during the second quarter. However, the economy of export-targeting countries will remain same as that of the previous quarter. And the conditions for export profitability, international supply and demand, and the production costs of exported products will deteriorate.

By item, expectations of home appliances (125.0) and wireless communication apparatus (111.8) were especially high. The high expectation of home appliances was due to the launches of new products and the increases in demand of premium products in developed countries. The favorable factors for wireless communication apparatus include launches of strategic phones and adoptions of slim metal design. On the other hand, the prospects for textile goods (95.5) were dim due to the delayed economic recovery of the global textile market and the drop in export unit prices with weak material prices. 

by Cho Jin-young



Foregone Conclusion

Korea Joins AIIB as Founding Member



The Ministry of Finance of China announced on April 11 that 41 countries including Korea, Spain, and Austria have been designated as the founding members of the Asia Infrastructure Investment Bank (AIIB). The other countries that have applied for accession are expected to win the same status by April 15.

At present, 13 of the G20 countries are scheduled to join the AIIB. Of the G7, all will join except the United States, Japan, and Canada. The AIIB is predicted to be officially launched before the end of this year.

Jin Liqun, interim chief of the AIIB, stressed that the bank will have a highly efficient organization free from corruption. “We are dedicated to creating a lean, neat, and eco-friendly bank,” the former vice minister of finance of China said at the recent Singapore Forum, a conference of Asian businesses and political leaders. He added that expert groups would run the AIIB. The top management will be organized not based on political considerations but based on individual capabilities, and the bank would adopt zero tolerance when it comes to corruption. He did not forget to mention that the AIIB is a multi-national organization in which China is just one of the leading members, and thus the members do not have to be worried about the possibility that the bank might be at the mercy of state-run Chinese companies.

Meanwhile, the president of the World Bank expressed strong support for the new Chinese-led regional development bank. Jim Yong Kim welcomed it as a major new player in the fight against poverty and pledged to quickly find some innovative ways by which the two international financial institutions could collaborate.


“If the world’s multilateral banks, including the Asian Infrastructure Investment Bank and the New Development Bank, can form alliances, work together, and support development that addresses these challenges, we all benefit – especially the poor and most vulnerable,” said Kim. He also said, “The fundamental

issue for us is — your enemy cannot be other institutions. Your enemy has to be poverty.”

In advance of the World Bank/IMF spring meetings he dismissed the notion that the birth of the AIIB would be a challenge to the World Bank dominated by the U.S. Kim added that he will meet with Chinese officials at the meetings of the pillars of the global financial system in Washington next week to discuss potential cooperation.

The AIIB has invited around 50 countries into applying to be founding members, which includes some key U.S. allies such as Great Britain, France, Germany, Italy, and South Korea. Chinese President Xi Jinping, who initiated the AIIB, welcomes all countries in the region, as well as partners around the world, to join the AIIB. The U.S. may soon be alone among major economies, as more countries sign on to help capitalize the AIIB. The bank is expected to lend about US\$100 billion when it opens, especially to developing countries in the Southeast, Central and Southern Asian regions. According to Xinhua News Agency, the bank plans to create more capital mobilization channels.

One Japanese press company reported that by the end of June the Abe administration will be considering a membership. And it is now discussing a US\$1.5 billion contribution if the new bank meets certain criteria.

Previously Madeleine Albright, the former U.S. Secretary of State, said that it is Washington’s miscalculation in not seeking membership in the AIIB. Despite U.S. reluctance to endorse the nascent bank, Kim approached the case with a fundamental point that all hands are needed on deck to end poverty and build the global economy in peace. Xi said, “We will ... advance complementary and coordinated development between the Asian Infrastructure Investment Bank and such multilateral financial institutions as the Asian Development Bank and the World Bank. 

by Jung Suk-ye

Economic Attraction

Korean Banks Attention Riveted on ASEAN Economic Community



ASEAN Economic Community

The Association of Southeast Asian Nations (ASEAN) is accelerating its economic development to the point of taking the place of China as an emerging market, home to attractive manufacturing bases and consumer markets.

The Hyundai Research Institute said on April 21 that the ratio of ASEAN's GDP to the global GDP increased from 1.9 percent to 3.2 percent between 2000 and 2014.

According to the institute, ASEAN's economic growth rate added up to 4.7 percent in 2013, much higher than the global average of 2.2 percent, although lower than China's 7.7 percent. Also, the ASEAN accounted for 6.7 percent of the global trade volume in 2013.

The foreign direct investment (FDI) inflow into the 10 ASEAN member countries increased 14.1 percent on an annual average basis after 2000, and the total FDI into the countries reached US\$125.4 billion in 2013, which was equivalent to 8.6 percent of the global total. The FDI in China was US\$123.9 billion that year.

At present, the ASEAN is the second-largest export destination for Korea. The ratio of Korea's exports to the region to its total exports went up from 9.5 percent to 14.8 percent between 2004 and 2014, when 12.3 percent, 5.6 percent and 25.4 percent of its exports went to the United States, Japan, and China, respectively.

Meanwhile, the ASEAN Economic Community (AEC) of 10 countries, including Indonesia, Thailand, and Vietnam, will launch late this year. Financial integration in the ASEAN region is expected to be accelerated by taking the opportunity.

The financial ministers and central bank governors of the 10 countries recently signed the ASEAN Framework Agreement on Services (AFAS) for the promotion of trade and investment based on the mutual opening of financial service sectors. The central bank governors signed the ASEAN Banking Integration Framework (ABIF) agreement last year as well. The ABIF is to modify the banking supervisory regulations in the region ahead of the inauguration of the AEC.

According to the AFAS, qualified ASEAN banks can do business without restriction in any of the ASEAN markets. The qualification process is predicted to be underway in 2018.

Korean banks are paying much attention to the region, too. For example, Shinhan Bank is currently running an overseas corporation in Vietnam and setting up branches in the Philippines. The Indonesian financial authorities allowed it to acquire Bank Metro Express shares on April 16 and Shinhan Khmer Bank recently started its business in Cambodia.

KB Kookmin Bank has also set up KB Cambodia Bank, and Woori Bank merged itself with Saudara bank in Indonesia last year. The Hana Financial Group is expanding its retail banking business in Indonesia by means of PT Bank KEB Hana, too.

At present, the ASEAN countries are aiming to form an integrated economic block, similar to the EU, where the free movement of goods, services, investment and workers is guaranteed. The AEC countries are home to 630 million population, the third-largest in the world, and a combined GDP of US\$2.4 trillion won, the seventh-largest in the world as of 2013. 

by Jung Suk-ye

Un-bonding Investors

Concern over Potential Stock Market Uncertainty



Amid the continuous bullish market, some expressed concerns while others suggested the possibility of an additional increase.

Samsung Securities said on April 17, "There are excessive expectations for liquidity in the stock market. The Korean stock market has risen very quickly compared to its fundamentals, and it still has potential uncertainty."

This is largely due to the overwhelming expectations of the improvement of corporate performance. Yoo Seung-min, chief strategist at Samsung Securities, said, "I find it unconvincing that the corporates' profits will significantly improve when there is no improvement in its fundamental competitiveness and in sales."

Also, the movement of foreign investors, who purchased 5 trillion won (US\$4.63 billion) since the beginning of the year, should be carefully watched. Yoo said, "With the share being adjusted due to the simple short-term momentum, the buying trend of foreign investors could slow down."

However, others hinted at the possibility of a short-term adjustment in the KOSDAQ market, which exceed the 700 point

mark for the first time in seven years.

IBK Investment & Securities said, "Since the beginning of the year, foreign investors have not shown much interest in the KOSDAQ market, and the institutions are trying to confirm the performance in the first quarter. Investors should single out the ones which have shown good performance rather than the ones going along with the market atmosphere."

There is also a prediction that it has enough power to rise further. NH Investment & Securities believes that foreign investors recently purchased stocks due to the rising credibility in the Korean stock market, rather than any trend of liquidity.

Kang Hyun-chul, analyst at NH Investment & Securities, said, "Just before six to seven months, foreign investors had great distrust due to the frequent earning shocks in October last year. Compared to that, they now have higher confidence in the rising Korean stock market based on the recent Korean government's policy and companies' performance."

As concerned, foreigners net sold 12.9 billion won (US\$11.9 million) in bonds from April 13 to 17, NH Investment and Securities Co., Ltd (NHIS) said on April


21. It is "the first net sale after the first week of this year," the NHIS said.

As a result, the won bond balance held by foreigners increased by 44.5 billion won (US\$41.1 million) from last week, reaching 102 trillion won (US\$94.2 billion) in total, including the primary market, NHIS said. The difference between the net investment and balance is due to the risk premium, NHIS said.

Foreigners net sold 6.995 billion won (US\$6.454 million) of treasury bonds, but net purchased 6.863 billion won (US\$6.332 million) of monetary stabilization bonds (MSB), the NHIS said.

Foreigners also net purchased for all due dates, except for the "more than a year less than two years" interval and the "more than three years less than five years" interval, the NHIS said.

The duration of foreigners' won bonds decreased to 2.81 from 2.84, NHIS said.

During the week between 13 to 17, foreigners net sold 838 contracts of three-year Korean treasury bonds (cumulative net flow: 144,333), and 692 contracts of Korean treasury bonds (cumulative net flow: 14,019), the NHIS said. 

by Oh Seung-mock



Profits Up More than 80% of Listed Korean Companies Gained This Year with 2050 Mark Break

The Ministry of Trade, Industry & Energy announced on April 1 that Korea's exports declined by 4.2 percent to US\$47 billion and its imports decreased by 15.3 percent to US\$38.6 billion in March this year compared to the same month of the previous year. The trade surplus added up to US\$8.4 billion for the country to record a surplus for the 38th consecutive month. The year-on-year decrease in exports totaled 0.7 percent and 3.4 percent in the two preceding months, while the year-on-year decrease in imports amounted to 11 percent and 19.6 percent during the same period.

Last month, the petroleum product exports declined by 32.5 percent, electronics products by 17.2 percent, petrochemical products by 16.1 percent, and wireless communication equipment by 10 percent. By destination, the shipments to China and Europe fell 2.4 percent and 9.7 percent, respectively. In the meantime, a decline in the import prices of raw materials such as crude oil led to a reduction in imports. The amount of crude oil imported in March this year increased by 4.9 million barrels from a year earlier, but the price per barrel dropped from US\$108.40 to US\$57.10 during the period.

Korea showed an export growth rate of 2.3 percent in October last year, negative 2.7 percent in November 2014, 3.1

percent in December, and negative 0.9 percent in January this year. In the same four-month period, the global export growth rate reached 1.1 percent, 4.2 percent, 2.5 percent, and 10.4 percent. Korea beat France to climb to sixth in world export rankings.

Korea's trade balance almost quadrupled in comparison to that recorded in the first half of 2014. Specifically, the amounts were US\$21.461 billion vs. US\$5.17 billion.


Meanwhile, the export economy for the second quarter is expected to get better than that of the previous quarter due to the economic recovery of major developed countries like the U.S.

According to the 2015 Second Quarter Export Business Survey Index (EBSI) Report made on March 31 by the Institute for International Trade under the Korea International Trade Association targeting 702 local export companies, the EBSI for the second quarter recorded 112.0, increasing expectations on the improvement of export conditions.

The closer the EBSI gets to 200, which is an index with a standard of 100, maximum of 200, and minimum of 0, the more opinions there are that see the economy positively in the next quarter than the previous quarter. Conversely, the more negative opinions there are on the

economy, the closer the EBSI gets to 0. Since the index becomes 100 when positive opinions are balanced with negative ones, 112 means that there are slightly more opinions seeing the economy positively.

The export companies also expected that business talks and contracts for export will increase and the facility utilization rate will rise during the second quarter. However, the economy of export-targeting countries will remain same as that of the previous quarter. And the conditions for export profitability, international supply and demand, and the production costs of exported products will deteriorate.

By item, expectations of home appliances (125.0) and wireless communication apparatus (111.8) were especially high. The high expectation of home appliances was due to the launches of new products and the increases in demand of premium products in developed countries. The favorable factors for wireless communication apparatus include launches of strategic phones and adoptions of slim metal design. On the other hand, the prospects for textile goods (95.5) were dim due to the delayed economic recovery of the global textile market and the drop in export unit prices with weak material prices. 

by Jung Suk-ye

Withering Away

Profits of 61 Korean Conglomerates Have Shrunk to Half in Last 4 Years

According to the Fair Trade Commission, the number of conglomerates with total assets of at least 5 trillion won (US\$4.5 billion) decreased from 63 to 61 during the past year. The top 10 are Samsung, the Korea Electric Power Corporation (KEPCO), Hyundai Motor, Korea Land & Housing Corporation, SK, LG, Lotte, POSCO, GS, and Hyundai Heavy Industries.

The 61 conglomerates have 1,696 subsidiaries combined, 19 more than a year earlier. SK has 82 subsidiaries, followed by Lotte with 80, GS with 79, Daesung with 73, Samsung with 67, and CJ with 65. The 61 groups' combined assets increased by 52.6 trillion won (US\$47.9 billion) to 2.2584 quadrillion won (US\$2.0582 trillion). Each of the top six has recorded assets exceeding 100 trillion won (US\$91 billion) since 2012.

The debt ratio of the 61 is 101.1 percent, 2.6 percentage points down year-on-year. Hyundai reduced its debt by 93.9 percentage points, Korea Land & Housing Corporation by 48.3, Incheon Development & Tourism Corporation by 34.4, Homeplus by 31.1, and Hanjin by 28.4.

The combined sales of the 61 declined from 1.5366 quadrillion won (US\$1.4004 trillion) to 1.5051 quadrillion won (US\$1.3717 trillion). That of Samsung fell by 30.2 trillion won (US\$27.5 billion), GS missed out on 5 trillion won (US\$4.6 billion), SK received 8.7 trillion won (US\$7.9 billion) less, and Hyundai Motor didn't see 7.8 trillion won (US\$7.1 billion).

The 61 conglomerates' current net income decreased from 47.8 trillion won (US\$43.6 billion) to 42.1 trillion won (US\$38.4 billion). The amount reached 81.7 trillion won (US\$74.5 billion) in 2011, but has continued to decline, losing 48.5 percent for four years.


The top 30 conglomerates excluding Samsung, Hyundai Motor, SK, and LG groups recorded a current net loss on average, while the four showed a current net income of 39 trillion won (US\$35.5 billion). The sum of those of Samsung (20.9999 trillion won or US\$19.1397 billion) and Hyundai Motor (12.677 trillion

won or US\$11.554 billion) accounted for 69.4 percent of the total of the 61 (48.514 trillion won or US\$44.216 billion)..

According to the 2014 closing performance of the stock market last year compiled by Korea Exchange (KRX) in December, sales of the 496 companies on the KOSPI reached 1.82 quadrillion won (US\$1.65 trillion), based on the analysis of their consolidated financial statements. That is a 0.43 percent decrease from the previous year. Operating profits sank as much as 12.7 percent to 91.42 trillion won (US\$82.74 billion), while net profits dropped by 6.9 percent to 61.14 trillion won (US\$55.34 billion).

Excluding Samsung, the combined sales of KOSPI firms rose 0.9 percent year-on-year in 2014, and net profits increased 7.1 percent, while operating profits slid 2.3 percent. Among major companies, Hyundai Motor showed a 9.2 percent decrease year-on-year in operating profits, recording 7.55 trillion won (US\$6.83 billion), while Kia Motors and LG Chem showed a 19 percent and 1.25 percent drop, respectively. The operating profits of the Korea Electric Power Corporation (KEPCO) jumped by 281 percent to 5.7875 trillion won (US\$5.24 billion). SK Hynix also saw growth in operating profits of 51 percent.

The financial soundness of companies listed on the KOSPI market slightly improved. The consolidated debt rate at the end of last year amounted to 127.93 percent, showing a 2.62 percent decrease from the previous year. Total equities reached 941.2173 trillion won (US\$851.78 billion), a 6.16 percent increase, while total liabilities totaled 1.2 quadrillion won (US\$1.09 trillion), a 4 percent increase.

Among the 496 KOSPI companies, 364 of them, or 73.39 percent, recorded a surplus of consolidated net profits. Among those, 55 who were formerly in the red became to profit-making last year. On the other hand, 132 companies, or 26.61 percent, recorded deficits. According to an analysis, 48 companies turned to a loss. 

by by Cho Jin-young

Ups and Downs

Galaxy S6 Launch Held Immense Hype, High Expectations



by Matthew Weigand

The Galaxy S6 launch is in full swing now, and everyone is watching the drama play out. Before the launch, there were concerns about distribution and availability. After the launch, there were celebrations about the sales and pre-orders going through. Then concerns about the supply of the Edge version of the Galaxy S6 have grown into a serious worry that a lack of the Galaxy S6 Edge will become a problem preventing the launch of the new project from meeting its sales expectations.

Distribution Management Key

Samsung Electronics was reported to be paying close attention to inventory control with regard to the Galaxy S6, since it attracted a huge volume of pre-orders from mobile carriers worldwide.

According to industry sources, the Galaxy S6 was estimated to be chosen by more than 50 million customers this year, and pre-orders for the Galaxy S6 and the Galaxy S6 Edge were double that of the Galaxy S5. Still, Samsung Electronics maintained a rather prudent stance about supply. It is said that this is because the actual sales of the Galaxy S5 were much less than expected, despite the bright outlook before the release of the model.

In November last year, the Wall Street Journal reported that the sales volume of the Galaxy S5 stood at just 12 million units during the three months after the release date. The number was four million less than that of the Galaxy S4, and 40 percent less than the previous estimates. This means the number of Galaxy S6s actually supplied to consumers in general matters more than the



volume of supply to distributors, which was estimated to reach 55 million this year.

“We are planning to adjust the Galaxy S6 production volume while monitoring the market conditions instead of manufacturing a large amount in advance,” a Samsung Electronics representative explained before launch, adding, “Also, we will release the new model in 20 countries first, whereas the Galaxy S5 and S4 made their debuts in 120 and 60 countries, respectively.”

Still, Samsung Electronics increased the number of the stores where the Galaxy S6 is displayed before the release. Specifically, the Galaxy S5 was available at 2,200 stores in 120 countries before the release date, but the Galaxy S6 is put on display at 22,000 stores in 20 countries.

Great Start to Sales

And despite all of these high expectations, it was still surprising to see the early sales of the Galaxy S6 and S6 Edge. You could not get the Galaxy S6 Edge even if you had money, and may very

well still have difficulty doing so.

Samsung Electronics started sales of the Galaxy S6 and S6 Edge in 20 countries, including South Korea, the U.S., the UK, and Germany, at the same time on April 10.

Pre-sales surpassed 300,000 units in a week, and some products, including the Gold Platinum, are in short supply.

The Galaxy S6 Edge had received advance orders until April 9, a day before release. However, as more orders flooded in than expected, numerous outlets started a second set of pre-orders for the phones as soon as the first pre-order ended.

The products are priced slightly differently depending on the subsidies of mobile carriers. The lowest prices of the Galaxy S6 and S6 Edge on the market are 647,000 won (US\$591.52) and 807,000 won (US\$737.79), respectively.

Due to the small subsidies, however, the number of consumers who have actually purchased the products is lower than expected. Sales outlets have said that there are a lot of consumers who come and check the Galaxy S6 and S6 Edge, but not many of them purchase the products.

The success of the S6 was already expected. The Wall Street Journal said, "The Galaxy S6 and S6 Edge are the fruit of Samsung Electronics' attempt to impress the whole world. At the sight of its hardware, we have come to trust Samsung Electronics."

According to semiconductor e-commerce site DRAMExchange (dramexchange.com) during the first week of release, the shipments of the Galaxy S6 and S6 Edge should reach 55 million units this year alone. The figure is increased by 10 million units from the Galaxy S5.

KB Investment & Securities also increased their estimate of the shipments of the Galaxy S6 during the release week from 45 million to 50 million units. The figure was higher than the Galaxy 4 at 45 million units, which recorded the highest shipments in its first year among the Galaxy series.

Samsung Electronics also expected that the Galaxy S6 would exceed the sales record of the Galaxy S4 at 700 million units.

Supply Shortage Exacerbated

The supply shortage of the Galaxy S6 Edge got worse, though. On April 13, there were reported to be fewer than 10 Galaxy S6 Edges per store in Seoul.

The shortage of the Galaxy S6 Edge was attributed to the significantly lower yield rate than other smartphones such as the regular Galaxy S6. The Edge model requires a much more complex and ornate manufacturing process, such as closely-fitting round-shaped glass with a curved display.

Shin Jong-gyoon, Samsung Electronics' IM Division representative, said at the World Tour Seoul event on April 12, "The demand against the supply of the Galaxy S6 Edge is restricted, but we will resolve the matter as soon as possible."

Samsung Electronics' small predicted sales volume of the Edge also contributed to the shortage in the second week of April. The company anticipated that the demand for the Galaxy S6 would be much higher than the Edge, and aligned their materials and components accordingly. The company anticipated the sales

volume of the Edge to be 20 percent of the Galaxy S6 with its flat screen. However, when the smartphones were revealed to the public in Barcelona, Spain, most global customers pre-ordered as many Edges as regular Galaxy S6s.

Higher Production Costs

Not only did the Edge suffer from high demand, but Samsung Electronics also suffers from a higher production cost for the handset, more than a new iPhone 6+. And the Edge is cheaper.

The bill of materials (BOM) for the Galaxy S6 Edge with a 65 GB NAND memory chip appears to be US\$284.85, according to IHS Technology's Teardown team. IHS is a market research firm. The production first cost reaches US\$290.45 when the US\$5.60 production cost was added. The product used for the analysis was purchased from Verizon at a price of US\$799.99.

The BOM of Apple's 64 GB iPhone 6 Plus is US\$236.04, and its production first cost is US\$240.05 when a production cost of US\$4.01 is added.

Andrew Rassweiler, the director of the IHS, said that the BOM of the Galaxy S6 Edge is the highest among the Galaxy series.

The curved screen of the S6 Edge costs US\$85, which is US\$24 more expensive than normal S5 models. It is twice as expensive as the iPhone 6 Plus TFT/IPS display, which costs only US\$41.

Sales Falling Short?

By April 22, the sales data showed that Samsung was worried that it wouldn't reach its sales expectations for 2015. With the high number of pre-orders, Samsung Electronics said that it was expecting to sell over a whopping 70 million units of the Galaxy S6 and S6 Edge this year, which is the firm's largest ever. However, some say that the market response falls short of the expectations after the launch of the device.


According to the industry on April 22, Samsung has managed to sell just over 200,000 units of the Galaxy S6 series for 10 days from April 10.

The figure accounts for about 67 percent of the estimated pre-order figures of 300,000 units, which means that the actual sales will fall short of the pre-orders after release.

Shin Jong-kyun, CEO of Samsung Electronics' mobile division, also said, "We are watching whether the sales of the Galaxy S6 will set a record high mark of 700 million units."

Even taking a look at the sales of cases and protective films that can measure the preference of the smartphone, the Galaxy S6 is showing less popularity than expected.

An official from the industry said, "When the iPhone 6 hit the market, it showed a short supply of its cases and protective films. However, the sales of the Galaxy S6 accessories are similar to the figure of the previous Galaxy S5."

The popularity of the Galaxy S6 Edge combined with the difficulty in its production and its relatively smaller supply compared to the Galaxy S6 may end up hurting Samsung Electronics' total sales for 2015. 

Another Battle

Brand-new Smartphones Competing with Improved Cameras, Better Materials



Smartphones have begun to come with cameras comparable to digital single lens reflex (DSLR) cameras, with competition in the smartphone camera market heating up this year.

The first cameras mounted on smartphones back in the early 2000s had been 100,000-pixel ones. However, Sony built a 20-megapixel camera into its smartphone last year, fueling competition in the market.

At the center are the Galaxy S6 and the LG G4, both of which were released this spring. Samsung Electronics' Galaxy S6 and Galaxy S6 Edge, for example, come with 16 megapixel rear cameras and 5 megapixel front cameras. Also, high-performance image sensors and F1.9 lenses are used in the recently-released products. Both of the cameras support real-time high dynamic range (HDR) so that the pictures can be clear and natural even in dark, backlit, and high-contrast environments.

LG Electronics' G4, in the meantime,

has 16 megapixel rear and 8 megapixel front cameras providing significantly improved picture quality. The resolution value of the front camera of the G4 is even higher than that of the Galaxy S6. The camera of the LG G4 adopts a F1.8 aperture so that bright photos can be taken even in a dark place.


In addition, Apple's next iPhone will adopt a new aluminum material for its metal case in order to avoid another Bendgate. A promising candidate is aluminum 7000, which has a strength approximately 1.6 times that of the aluminum metal cases of existing iPhones. Aluminum 7000 is widely used in racing bicycles and the like.

Samsung Electronics adopted metal instead of plastic for the Galaxy S6. Specifically, it opted for the aluminum 6013 alloy for a better combination with its Gorilla Glass 4. Used mainly in aircraft, automobiles, and yachts, this aluminum alloy is 1.5 times stronger and 1.2 times more scratch-resistant than aluminum

6063, one of the metal materials widely used in smartphones.

In the meantime, Gorilla Glass 4 is used for both the front and back surfaces of the Galaxy S6 for durability. This glass is 25 percent thinner yet much more resistant to failure than Gorilla Glass 3.

Sapphire Glass is increasing in popularity, too. The next iPhone is likely to come with the glass, and Kyocera and Huawei have already unveiled Sapphire Glass phones. The iPhone 6 and iPhone 6 Plus were going to use the glass as well, but could not as the manufacturer, GTAT, filed for bankruptcy protection.

At present, Corning is working on Project Fire to mix sapphire and Gorilla Glass together. The former is highly resistant to scratching, but is rather vulnerable to a side impact. The latter has a high level of strength but is vulnerable to scratches. Corning's new glass display product has all the benefits of both types of glass and is scheduled to be put on the market within this year.  by Cho Jin-young

Air Energy

LG Innotek Targets Wireless Charging Parts Market



A power transmission module by LG Innotek.

LG Innotek (CEO Lee Ung-beom) is mass-producing power transmission modules to target the wireless charging parts market.

The company announced that it has provided power transmission modules for wireless smartphone charging pads to a smartphone accessory manufacturer in the U.S. since the end of February.

LG Innotek has been providing power transmission modules for wireless charging to global smartphone companies since 2012 including LG Electronics, Motorola, and Kyocera. It first worked with the development of the Google Nexus 4.

Based on a technology allowing the company to enter the market quickly, and the ability of the IT materials and parts business, the company will dominate the power transmission module market in advance.

The company completed the entire process with its own technology, from the development of wireless charging materials and module design, to the production of complete products. It secured core technologies through the technology acquired in the IT materials and parts industry, such as smartphones, displays, and materials

and components. Along with the magnetic induction method, LG Innotek can also produce technology that uses the magnetic resonance method, which can charge more than two devices at long range.

The wireless charging pads built with LG Innotek transmission modules are high-performance products with a 70 percent charging efficiency. They are 11.4 mm slim and look like a teacup saucer. The product acquired the “Qi” wireless charging standard from the Wireless Power Consortium. The wireless charging transmission module will be utilized in order to build charging infrastructure into things like office desks, coffee shop tables, and kitchen furniture.


Marketing research company TSR expects that the transmission sector in the global wireless charging market will grow to US\$269 million (291.84 billion won) this year, while the reception sector will grow to US\$284 million (308.11 billion won). Also, the figures will increase further to US\$1.37 billion (1.13 trillion won) and US\$980 million (1.06 trillion won), respectively, in 2019.

Meanwhile, it is predicted that the wireless charging market will grow to top

18 trillion won (US\$16.5 billion) by the end of 2015, as brand-new mobile devices such as the Galaxy S6 and the Galaxy S6 and the Apple Watch come equipped to work with the novel technique.

According to data recently released by market research firm IHS, the wireless power charger market is estimated to reach US\$17 billion in size by the end of this year. Also, the wireless power receiver shipment is forecast to grow from 55 million units to at least two billion units between 2014 and 2024.

This year, the shipment of wireless power chargers, that is, transmitters and receivers, for mobile phones is likely to break the 120 million unit mark owing mainly to the increasing popularity of the Galaxy S6 and the Galaxy S6 Edge. Also, the number of wearable wireless chargers that are in use is expected to be increased to more than 20 million by the end of this year, led mainly by the Apple Watch.

IHS remarked that this year will be a cornerstone for the market and major manufacturers are releasing a variety of products to contribute to the growth of the wireless charging market. 

by Jung Yeon-jin

ActiveX Actively Going

South Korean Gov't to Repeal Active X Security Requirement



The South Korean government plans to remove ActiveX from the country's websites to boost foreign online shopping. The Ministry of Science, ICT, and Future Planning said on Wednesday that it will let the private sector drop the troublesome technical requirement, which has been cited as a major obstacle in Internet transactions.

ActiveX is an Internet Explorer exclusive plug-in that allows Internet Explorer to run executable files on a user's computer. Most of Korea's financial websites and online shopping malls have relied on ActiveX to run their proprietary payment systems and online identity protection programs. But the outdated ActiveX dependency has prevented users of other web browsers or mobile devices from using those local websites.


As domestic manufacturers struggle with a sluggish domestic market, boosting foreign online sales could be a new export channel. Many Korean websites

that require ActiveX to make online transactions prevent overseas customers from making direct online purchases.

President Park also impressed the need of immediate action to solve the problem at her New Year's press conference. "Foreign direct purchases are still at their starting point compared to the amount of Koreans' foreign online purchases, because of outdated regulations like ActiveX that complicates foreign shopping. If we can facilitate foreign direct purchases by simplifying the payment process such as in other countries, these online sales could become a growth engine like exports," said Park.

According to the Ministry, at least 90 percent of the country's top 100 websites will replace ActiveX with alternative systems and technologies by 2017. This ActiveX-free plan provides subsidies of up to 50 percent of the financial costs to stop using ActiveX-based systems and to create HTML5-related alternative technol-

ogies to replace it, up to 100 million won (US\$91,734) per web site or 20 million won (US\$18,345) per solution. Furthermore, the Ministry will introduce a web standard certificate system for local websites and establish education programs and technology support and consulting centers in order to promote HTML5-based platforms in the country, including for mobile interfaces.

"Following those efforts, we seek to spread the trend to other areas, such as finance, education, and entertainment," the Ministry said. Later this month the Ministry will push public websites to remove the ActiveX software requirement as well. Analysts also advised that websites need to set up multi-lingual services to escalate international demand. Currently, foreign direct online purchases remain less than half of Korea's online direct purchase total of US\$ 1 billion. However, the government sees great potential in changing the existing system.  by Mary Park

Biometric Security

Biometrics-based Payments Not Yet Free from Security Risks

Global financial and IT companies are unveiling many biometrics-based payment tools. Their information security risks have yet to be addressed, though.

MasterCard, for example, is currently testing a biometrics credit card in Europe and Apple, and Samsung Electronics applied fingerprint recognition to Apple Pay and Samsung Pay, respectively. Last month, Alibaba unveiled a face recognition-based platform of Smile to Pay. Microsoft is planning to adopt Windows Hello for Windows 10 so as to replace passwords with iris, face, and fingerprint recognition. In Korea, BC Card is working on similar techniques.

Recently, Samsung SDS announced that its biometric authentication solution has received certification from Fast IDentity Online (FIDO), and has officially entered the market.

Partnering with Korea's top mobile transaction firm in the micropayment sector, KG Mobilians, and KG Inicis in the credit card payment sector, the company will start offering a simple payment service by fingerprint authentication in April. Also, it will join hands with the nation's top certificate licensor, the Korea Information Certificate Authority (KICA), to

provide authentication services based on biometrics.

Samsung SDS is the second firm in the world to receive certification from FIDO for its biometric authentication solution. The FIDO Alliance is an international standard setter for online authentication, which has around 190 members, including Samsung, Google, Microsoft, Visa, and PayPal.


Samsung's self-developed biometrics authentication solution is a substitute certification system that doesn't use a password, which reduces the risks of losing the password, identity theft, and hacking.

The biggest strength of the solution is that it could be supported by biometrics, including fingerprints, eye-scanning, and voice. Even when a user's device is hacked, their identity is securely protected since, it the device has only basic information about the user. It means you don't have to worry about biometrics leaks or falsification.

Since it can verify a user with a single touch and cannot be used by others without the user's biometrics, even when the device is lost, it is considered to be a solution with security and convenience. Also, this system can be used in all devices

from various hardware that needs to receive user authorization such as smartphones, vehicles, IoT-based devices, door locks, and smart homes, to online services including financial products, shopping, and financial transactions. Therefore, it has endless potential in the market due to the fact that all corporate clients in those areas are potential customers, said Samsung SDS.

Experts warn, however, that the new payment methods entail greater risks than existing ones. In September last year, a hacker group in Germany released video footage in which its members tricked the Touch ID Sensor for Apple Pay by copying fake fingerprints onto silicone rubber. This clearly shows the vulnerability of the fingerprint-based payments and remittances that is currently used in a number of mobile phones.

Experts also point out that multiple security measures have to be prepared in advance in order to prevent the use of fingerprints by force or stealing. "A viable alternative is to have a fingerprint other than one for payment registered for an automatic police report," one of them suggested. 

by Jung Yeon-jin

Closer Payment Market

South Korea, China Merge Fintech Markets



Participating stores can scan an Alipay barcode to accept payment for goods and services.

Chinese tourists visiting Korea can pay at affiliated offline stores like duty free shops with only Alipay Wallet installed in their smartphones.

Hana Bank made an alliance with Chinese online payment gateway service company Alipay, and started settlement services from April 9.

As a result, Chinese tourists visiting Korea can create a temporary barcode when activating smartphone payment app Alipay Wallet and can make payments through scanning when presenting the barcode at affiliated offline stores.

About 20 affiliated stores, including Lotte Duty Free Shop, started offering the service, and it is expected to gradually widen its service area.

When the payment is approved, Hana Bank pays the affiliated stores and receives a remittance later from Alipay.

Hana Bank also obtains commissions for handling the transactions through Alipay.

Meanwhile, LG U+ and KB Kookmin Card and UnionPay have merged the Fintech market of each other's home country.


LG U+, KB Financial Group, KB Kookmin Card Co., China UnionPay, and UnionPay International had a ceremony for the partnership for mobile card issuing and payment services on April 16 at the headquarters of LG U+ in Seoul, an LG U+ representative said.

The service will provide customers a mobile card with UnionPay that will enable them to pay by connecting their smartphone to payment machines found in both South Korea and China, LG U+ said.

According to the UnionPay, last year, its Chinese customers spent about 6.7 trillion won (US\$6.1 billion) with its plastic cards in South Korea, Jung Young-hoon,

a PR representative of LG U+, told Business Korea.

Kim Duk-soo, the president of KB Kookmin Card Co., said that the partnership will bring a "significant" first-mover advantage, as the partnership is "the first" cooperation between card and telecommunication companies.

A representative of LG U+ said that "showing very much interest in the partnership", the participants in the ceremony included China UnionPay's Chairperson Ge Huayong, Chief Business Development Officer of UnionPay International Wang Lixin, UnionPay International Korea President Seong Bo-mi, KB Financial Group's Chairperson Jong Kyoo-yoon, President of KB Kookmin Card Kim Duk-soo, and LG U+ Vice Chairman Lee Sang-chul. 

by Oh Seung-mock

Smarter Audio

LG Smart Audio to Feature Google Cast



LG Electronics will offer Google Cast in its lineup of Smart Audio (Model NP8740, NP8540, NP8340) and Wi-Fi Sound Bars (Model LAS750M), strengthening its global audio market invasion.


Google Cast is a technology that lets one easily cast their favorite music from streaming applications on mobile devices,

including smartphones and tablets, to wireless speakers. Customers will be able to use it from their Android or iOS devices, and the service will be available as early as April.

LG has streaming partners including Bugs, TuneIn, Deezer, NPROne, and BeyondPod in the country, and will have additional partners in the future.

Smart audio and Wi-Fi sound bars allow customers to not only enjoy music via Bluetooth depending on the using environment but also utilize the Wi-Fi network. Therefore, it is perfect for Google Cast.

Anyone can enjoy high capacity and high quality music wirelessly without disconnecting, and Google Cast ensures that other phone operations, such as incoming calls or text messages, do not disrupt playback.

LG Electronics will offer Google Cast to the current owners of LG smart audio (NP8740, NP8540, NP8340) and sound bars (LAS750M) by upgrading their products once the service is introduced in local market. 

by Jung Yeon-jin

Smart Cars

SKT Releases Internet of Things Smart Car Control System




Telecom's Internet of Things-based Smart Car system.

SK Telecom released an Internet of Things (IoT) smart car solution to manage a car with a smartphone, named the "Smart Auto Scan," on April 13, the company said.

A Smart Auto Scan provides detailed information about the

car, helping with its management and convenient driving environment. Specifically, its function includes auto scan detection, scan driving, and eco-mode, as well as monitoring the car for malfunctions and showing them and their locations if one is found.

The Auto Scan feature helps the driver easily identify the vehicle condition, and includes 157 different codes for ways that the car can break down, 51 types of driving record, and 19 types of sensor information. The Scan Drive feature provides vehicle condition monitoring, eco-index, and black box software, using T-map traffic information. It also has eco-mode, providing a real-time fuel efficiency ranking, and a car diary, providing a periodic driving record.

The Smart Auto Scan feature consists of an exclusive scanner and mobile application set. The driver can easily use it, as they sets up the scanner on the On-board Diagnostics (OBD2) port, and download the application. The scanner can be set up in gasoline and diesel vehicles having OBD2. 

by Cho Jin-young

Communist Capitalism

Korean Social Commerce Market Growing Rapidly


 The image shows the logo for 'WeMakePrice' in white text on a solid red rectangular background. The word 'We' is in a standard sans-serif font, 'make' is in a lowercase script font, and 'PRICE' is in a bold, uppercase sans-serif font.

Coupang, Ticket Monster, and WeMakePrice recently released their audit reports, which showed that the domestic social commerce market is rather stabilizing, although the three were in the red without exception as expected. The sales of each increased a lot last year. Specifically, the annual total sales reached 348.5 billion won (US\$320.9 million), or 138 percent up from a year earlier, for Coupang; 184.3 billion won (US\$169.7 million), or 134 percent up, for WeMakePrice; and 157.4 billion won (US\$144.9 million), or 37.2 percent up, for Ticket Monster.

During the same period, WeMakePrice and Ticket Monster significantly reduced their operating losses to 29 billion won (US\$26.7 million) and 24.6 billion won (US\$22.6 million) from 36 billion won (US\$33.1 million) and 70.7 billion won (US\$65.1 million), respectively. The two companies' business profit rates improved from -61 percent to -15.7 percent and

from -45 percent to -15.6 percent between 2013 and 2014, too. Meanwhile, Coupang's losses skyrocketed from 4.2 billion won (US\$3.9 million) to 121.5 billion won (US\$111.8 million) due to its recent large-scale investment in delivery and logistics systems.

Although still failing to make profits, the three firms have contributed greatly to the expansion of the domestic social commerce market. According to the Korea Chamber of Commerce and Industry, the market had stood at around 50 billion won (US\$46.0 million) in 2010, its first year, but the size reached 1 trillion won (US\$920 million) in 2011, 1.07 trillion won (US\$985 million) in 2012, 3.14 trillion won (US\$2.89 billion) in 2013, and 4.81 trillion won (US\$4.43 billion) in 2014. This year, it is estimated to grow to approximately 6.9 trillion won (US\$6.4 billion).

At the center of the rapid growth is mobile business, which accounts for 70

percent of the overall transactions. The number of their app users has exceeded that of those using open market applications as well.

In addition, the three companies recently attracted investment abroad. For instance, Coupang attracted US\$400 million from Sequoia Capital, BlackRock and so on last year. The fund has been spent on its delivery services, including those for delivering daily necessities within two hours.

A consortium led by Kohlberg Kravis Roberts & Co. is about to make an investment in Ticket Monster. The American PEF is planning to acquire 59 percent of Ticket Monster shares from Groupon, and the negotiations are to be completed before the end of this month. The consortium is estimating the corporate value of Ticket Monster at 874 billion won (US\$805 million), tripled in just one year.


 A small red circular logo with white text, likely a brand or publication mark.

by Cho Jin-young

Dominant Market Players

Samsung, LG Electronics Took Up 40% of Global Smart TV Market Last Year



Korean smart TV manufacturers are maintaining their upper hand in the emerging Internet of Things (IoT) market.

Market research firm DisplaySearch said on April 13 that Samsung Electronics took up 28.2 percent of the global smart TV market last year and was followed by LG Electronics (15.2 percent), Sony (7.6 percent), Hisense (6.7 percent), and Skyworth (6.7 percent).

The combined market share of the two Korean manufacturers reaches no less than 43.4 percent. Their dominance in the smart TV market is very meaningful with regard to the platform to lead the growth of the IoT market, including smart homes, as well as their increased presence in the high-end TV market. According to Strategy Analytics, the smart home market is predicted to reach US\$48 billion this year and US\$111.5 billion by 2019 through an average annual growth of 19 percent.

TV takes a very important role in the smart home market. According to the Korea Association of Smart Home, the domestic smart home market grew 24.3

percent to 8.5677 trillion won (US\$7.8133 billion) between 2013 and last year, and smart TVs and home entertainment accounted for 57.7 percent of the market in 2014. In addition, it is predicted that the smart TV sales volume will exceed the non-smart TV sales volume in Korea this year.

The two domestic electronics giants are also dominating the global TV monitor market.


According to market research company IDC on March 6, LG Electronics occupied 53 percent of the market share based on sales volume last year, and Samsung Electronics had another 46.2 percent, ranking first and second place. When combining the shares of both companies, the figure reaches 99.2 percent. It means that both major domestic electronic companies are dominating the global TV monitor market.

TV monitors, which are monitors for PC that can also receive TV signals via an onboard TV tuner, are very popular among single households who have trouble hav-

ing a separate TV and monitor.

Recently, this convenience in daily life is growing with the coming-out of new monitors equipped with an enlarged screen mainly for watching TV and those that allow users to watch TV on one half and work on their PC on the other half simultaneously. With this, the portion of TV monitors is continuously growing and is expected to make up to 6.5 percent of all monitors sold this year, growing from 5.8 percent last year.

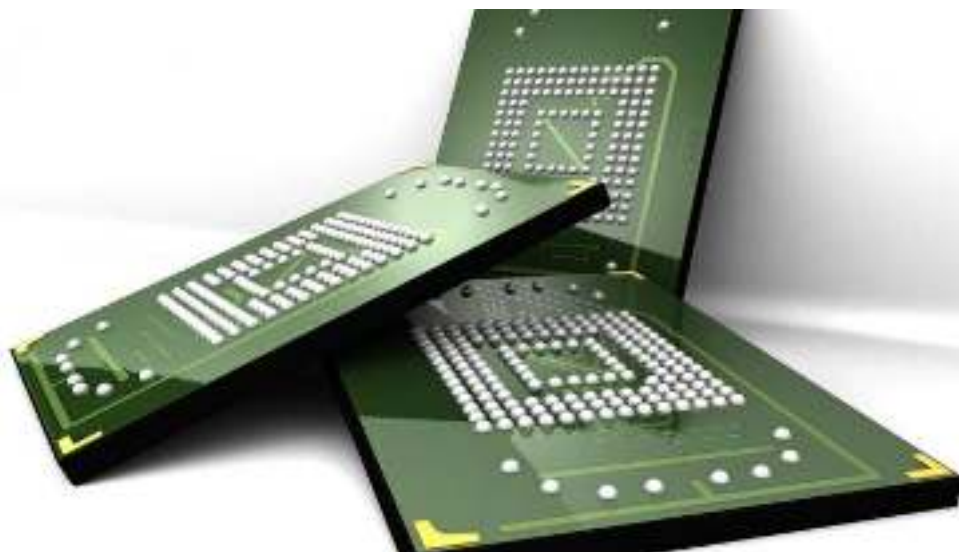
Meanwhile, sizes of monitors are getting larger along with TVs.

IDC forecast that the share of large screen monitors bigger than 68.58 cm (27 inches) in the entire monitor market will be 29 percent this year, up 3.6 percent from last year (25.4 percent). Samsung has 30 products large monitor products bigger than 68.58 cm launched in the market this year, an increase of five models from last year. LG Electronics also launched 24 large monitor models, also an increase of five products from last year. 

by Jung Yeon-jin

Increased Sales

Samsung, Micron Increase Market Share in NAND Market Due to High Demand of SSDs



Based on the strong demand of Solid State Drives (SSDs), Samsung and Micron increased their shares of the NAND flash memory market last year. On the other hand, Toshiba, which trailed Samsung Electronics at about 2 percentage points, was the only company showing a decline in sales and market share among the top four companies.

According to the market research firm IHS on April 13, Samsung Electronics recorded US\$9.084 billion (10.02 trillion won) in sales of NAND flash products, accounting for 36.5 percent share in the market last year. The company increased its sales by 4 percent from the previous

year amid a 22.8 percent fall in average selling prices or ASPs per gigabit (GB) of NAND flash products. Its market share also grew 0.1 percentage points.


Toshiba, which is the second-largest player in the NAND flash fragment, saw a drop in sales by nearly US\$300 million (330.75 billion won). Its market share also decreased from 34.3 percent to 31.8 percent. The industry believes that Toshiba showed a rapid drop in sales as it lost its supply line to Apple in October last year after Apple issued a recall on all MacBook Air models containing Toshiba SSDs due to failures.

As Micron, which showed the highest growth rate among top four companies, gained an 18.9 percent market share, it extended its lead to 6 percentage points with SK Hynix, the fourth-largest player in the market. Micron, which established a NAND joint venture IM Flash Technologies (IMFT) with Intel, is extending the market share based on its new client SSD M550 series, which was released last year.

The ASP of NAND flash products decreased by 28.4 percent last year, and it is also highly likely to be adjusted at the

level of 20 percent this year. Even though NAND prices are continuously decreasing, Samsung Electronics and Micron showed an increase in the sales of NAND products. This is largely due to the relatively high unit prices of NAND products, which is used in SSDs.

Companies which produce both NAND products and SSDs see higher profitability of SSDs when the prices of NAND products fall. The industry said that the margins of the SSDs of Samsung Electronics and Micron reach 30 to 40 percent. In addition, Samsung Electronics has started increasing the share of highly productive triple level cell (TLC) NAND products by more than half of the overall production from last year.

The IHS believes that the SSD sales growth rate of Samsung Electronics last year would reach as much as 53.3 percent. The figure is the highest among the top five companies. Intel and Micron ranked 2nd and 3rd with 49.3 percent and 38.8 percent, respectively. In contrast, the sales estimate of Toshiba decreased 7.4 percent from the previous year. 

by Cho Jin-young

Share of Global NAND Flash Memory Market in 2014 (unit: %)



Source: IHS

NAND Sandwiches

SK Hynix to Mass Produce 36-Layer 3D NAND Flash Chips Later This Year



SK Hynix is planning to mass produce 36-layer 3D NAND flash chips in the second half of this year. Also, it will start producing 48-layer products from next year, opening the era of 3D NAND Flash in earnest. NAND-based flash memory retains data without power, and 3D NAND flash memory stacks memory cells vertically to maximize storage capacity in a small area.

During the conference call after its Q1 earnings release on April 23, SK Hynix said, "We have developed 24-layer 3D NAND flash chips and completed the preparation for mass production at the end of last year. The first to be mass produced will be the 36-layer products. Also, we will start preparing the mass production of the 48-layer 3D NAND flash memory chips from the end of this year so we can have cost competitiveness next year."

A 3D NAND flash chip is a product that sparks keen development competition among global semiconductor businesses. While Samsung Electronics is expected to produce 48-layer 3D NAND flash chips later this year, overseas businesses such as Intel and Micron are jumping into the race.

According to data collected by mar-

ket research firm IHS, Samsung Electronics came in first with US\$9 billion (9.75 trillion won) in the global NAND flash market last year; Toshiba in second with US\$7.8 billion (8.45 trillion won); Micron in third with US\$4.6 billion (4.98 trillion won); and SK Hynix in fourth with US\$3.1 billion (3.36 trillion won). SK Hynix is rapidly narrowing the gap with other companies.


In addition to 3D NAND flash chips, the company is planning to release 16 nm TLC-based NAND flash chips and increase its share to the latter half of 10 percent in Q2 and 40 percent by the end of the year. Also, it will launch TLC-based Solid State Drive (SSD) chips and expand its share to 20 to 30 percent in Q3.

SK Hynix has announced that the construction of its new M14 DRAM factory in Icheon, Gyeonggi Province, is in its final stage. From next month, semiconductor production equipment will be stocked and start operating from the end of this year. Once the factory starts its operation, the DRAM production capability will reach up to the level of 15,000 wafers.

The company showed the conservative position on microfabrication technol-

ogy, in which semiconductor companies are currently competing. It announced that it would unveil a late-10 nm DRAM sample product in June next year. Currently, Samsung Electronics is about to mass produce late-10 nano DMRA products.

Due to the rise of exchange rates, the equipment investment cost has increased by the won. The investment this year will grow from a low 5 trillion won (US\$4.62 billion) to mid 5 trillion won due to the rise of the exchange rates. Until Q1, about 2 trillion won (US\$1.85 billion) has been invested. DRAM accounts for 80 percent of the investment, while NAND flash accounts for 20 percent.

On the same day, SK Hynix posted 4.818 trillion won (US\$4.45 billion) in sales, 1.589 trillion won (US\$1.47 billion) in operating profits, and 1.29 trillion won (US\$1.19 billion) in net profits in Q1. It recorded 33 percent in the business profit rate and 27 percent in net profit margin. Even though the operating profit in Q1 increased 50 percent from 1.057 trillion won (US\$975.9) a year earlier, the figure decreased 5 percent from 1.667 trillion won (US\$1.54 billion) in Q4 last year, which was a historic record high. 

by Cho Jin-young

SUVs On the Up

Domestic Automakers Sell 802,000 Units in March

Thanks to the increased popularity of sports utility vehicles, the sales of five automakers in Korea increased dramatically in March compared to the previous year.

According to auto industry sources on April 1, sales of the five domestic carmakers – Hyundai Motor, Kia Motors, GM Korea, Renault Samsung Motors, and Ssangyong Motor – increased to 801,998 units, a 1.5 percent year-on-year increase.

The figures increased 24.1 percent from February. The figures for February are lower than a year earlier due to the lack of business days in the domestic plants because of the Lunar New Year holiday.

The sales of Renault Samsung Motors have doubled for three consecutive months. The domestic sales of the five domestic automakers last month increased 4.8 percent from last year.

In the domestic market, the figure increased 4.8 percent from a year earlier and 23.3 percent from the previous month, recording 127,216 units. This is largely because the sales of recreational vehicles (RV), including SUVs, rose significantly. Exports slightly increased to 674,781 units, a 0.9 percent increase from the previous year.

By enterprise, Hyundai Motor and Kia Motors sold 436,819 units and 276,656 units, an 0.8 percent and 1.8 percent increase each from the same month last year. In the domestic market, the sales of the Hyundai Sonata grew 81.5 percent, increasing total sales. In the global market, the total production amount in overseas factories increased by 0.9 percent. As the new Kia Sorento and Carnival have gained popularity, Kia Motors saw sales growth of 8.5 percent in the domestic market and 0.7 percent in the global market

during the same period.

For Renault Samsung Motors, sales increased as much as 98 percent to 21,347 units compared to the same month a year earlier.

Renault Samsung Motors' year-on-year sales are skyrocketing, up 150.6 percent in January and 102.5 percent in February. Due to the sales growth of the SM5 and QM3 in the domestic market, the figure increased 7.4 percent from the previous year. In exports, the figure increased 195.6 percent owing to the increase in Renault Samsung's consignment production of the Nissan Rogue.


GM Korea sold a total of 54,305 units, including 13,223 units in the domestic market and 41,082 units in exports, showing an 11.6 percent decrease from a year earlier. Due to the withdrawal of the Chevrolet brand from Europe, exports dropped dramatically, by 14.9 percent. For Ssangyong Motor, sales in the domestic market increased 31.9 percent due to the popularity of the Tivoli. However, exports decreased 30.2 percent since supply to Russia virtually stopped. Accordingly, total sales decreased 2.2 percent.

The bestselling model last month was the Hyundai Porter, which was a small pick-up truck, selling 9,117 units. The

Hyundai Sonata sold 8,556 units, following the Kia Morning at 7,936.

The Hyundai Avante came in 4th with 7,239 units; the Hyundai Grandeur in 5th with 7,037 units; the Kia Sorento in 6th with 6,921 units; the Hyundai Santa Fe in 7th with 5,815 units; the Kia Bongo in 8th with 5,162 units; the Kia Carnival in 9th with 5,100 units; and the Chevrolet Spark in 10th with 4,889 units.

The Korea Automobile Manufacturers Association announced on April 7 that the combined domestic sales of GM Korea, Ssangyong Motors, and Renault Samsung Motors increased 9.5 percent to 72,289 cars for the first quarter of this year from a year earlier. GM Korea recorded a decline of 0.3 percent, but Ssangyong Motors and Renault Samsung Motors increased their sales volumes by 25.7 percent and 13.7 percent, respectively.

Last year, GM Korea took up 10.6 percent of the domestic market, followed by Renault Samsung Motor (5.5 percent) and Ssangyong Motors (4.7 percent). However, in the first quarter of this year, the percentages changed to 8.5 percent for GM Korea, 5.3 percent for Ssangyong Motors, and 4.2 percent for Renault Samsung Motors. 

by Jung Yeon-jin



Key Production Base

GM Korea to Become Key Base for Compact Vehicle Development, Production



GM Korea's Gunsan plant.

GM Korea, which has had constant conflicts between labor and management over strategies for future development, has provided its blueprint for the future. It will maintain its role as the hub of compact car development and become the core production base for emerging markets.

According to sources in the industry on March 31, GM approved expenses of 90 billion won (US\$81.08 million) needed to mass produce its new Cruze (D2LC) at the Gunsan plant of GM Korea in the fourth quarter of 2016. The new Cruze will be sold in the first quarter of 2017.

Accordingly, the Gunsan plant of GM Korea will emerge as the production base of the new Cruze in GM International Operations (GMI). The GMI is a control tower for overseas business, which generalizes emerging markets including Southeast Asia, Africa, the Middle East and Australia.

Therefore, it is a relief for the Gunsan plant, which rate of operation dramatically dropped due to the withdrawal of GM's Chevrolet brand from Europe. An official from the industry said, "The Cruze is the representative compact sedan of GM and the driving force model that helped overcome the financial crisis and revive."

Also, GM Korea is expected to play a leading role in the development projects of GM's next-gen compact cars. Its next generation compact vehicle called "M3XX" will be mass produced in 2022, and the production plant has not yet been decided.


An official from GM Korea said, "The leaders of GM are well

aware of the fact that GM Korea has matchless competitiveness in the development and production of compact cars through the Chevrolet Spark. GM Korea will also play a vital role in the next generation compact vehicle projects."

GM Korea has come up with measures to increase its share of domestic demand. For more aggressive marketing, it is integrating the relevant organizations, which are subdivided including digital. Also, the company will improve consumer recognition by strengthening the brand identity of Chevrolet.

GM Korea set its domestic sales goal for the year at 167,000 units, an 8 percent increase from the previous year. Last year, it sold 155,000 units in the domestic market, recording the highest domestic sales since it came to the country.

However, the fact that the headquarters' concerns over rising production costs continue to exist is expected to be an unstable factor for the sustainable growth of GM Korea. Currently, it is producing 14 percent of Chevrolet brand supplies worldwide, but the manufacturing cost per unit has increased to US\$1,435 (1.59 million won).

An a meeting with the Korean press at the 2015 Detroit Auto Show in January, GM President Dan Ammann also said, "Due to ordinary wages, GM Korea's competitiveness is getting weaker as the structure of high costs becomes permanent." Also, he indirectly expressed his opinion that GM Korea needs to reduce the production costs. 

by Jung Yeon-jin

Raking It In

Hyundai Motor Company Did Well in US, Europe in Q1



The Hyundai Motor Group increased its sales in the United States to a large extent in the first quarter of this year while recording a market share of over 10 percent in the American luxury car market for the first time since its inception.

According to industry sources, Hyundai Motor Company sold a total of 172,029 cars, 7.5 percent up from a year ago, in the U.S. during the period. Kia Motors recorded a year-on-year growth rate of 6.1 percent to 141,100 cars, too. The combined sales volume increased 6.9 percent compared to the same period last year, while the overall sales volume in the market edged up just 0.1 percent.

The rapid increase can be attributed to its increase in incentives. "American dealers asked us to increase incentives after the Detroit Motor Show in January, and Hyundai Motor America accepted the request," said an industry source.

In the meantime, the automaker's luxury sedans showed remarkable performance in the U.S. market as well. The combined sales volume of the Equus, the Genesis, and the K900 increased 106 percent year-on-year to reach 7,566 and account for 10.4 percent of the segment in the three-month period.

The successful performance was led by the Genesis. A total of 6,656 customers, more than 250 percent compared to a year ago, opted for it during the period, when it was second only to the BMW 5-Series (12,065 sold) and the Mercedes Benz E-Class (11,234), to take up 9.1 percent of the segment.

Hyundai-Kia Motors has sold well also in Europe, so well that it has recorded the highest monthly sales ever.

According to Hyundai-Kia Motors, Hyundai Motor sold a


total of 48,215 units in the European automobile market in March. The figure is an 11.9 percent increase from 43,076 units a year earlier.

Kia Motors also sold 44,478 units in March, a 9.9 percent increase from the same period a year ago. Both companies showed high growth rates of around 10 percent.

In particular, Hyundai Motor set a new sales record this year, surpassing the existing monthly record high sales in Europe when it recorded 48,001 units in March 2012.

According to data on new vehicle sales by manufacturer in 27 countries of the European Union (EU) in January released by the European Automobile Manufacturers Association (ACEA) on April 16, Hyundai Motor sold 54,441 units in March this year. The figure is a 17.6 percent increase from 46,285 units a year earlier. Kia Motors sold 43,671 units, a 10.6 percent increase from the same time last year.

Notably, Hyundai-Kia Motors increased its market share to 6 percent. While Hyundai Motor recorded 3.4 percent in the market share of March, Kia Motors recorded 2.7 percent. Hyundai Motor saw the 0.2 percent point growth from last year. The company got back its 6 percent market share just four months after it recorded it in November last year. Its share dropped from 6.1 percent in November last year to 5.3 percent in December, then increased to 5.8 percent in January and 5.9 percent in February this year.

The number of new vehicles registered in the 27 countries of the E.U. in March reached 1,064,107 units, a 10.6 percent increase from a year ago.  by Jung Yeon-jin

Domestic EV Market

Domestic Electric Vehicle Market Showing Rapid Growth

Competition in the electric vehicle (EV) market is becoming increasingly fierce, with the central and local governments expanding their policy for the popularization of EVs and automakers cutting the prices of their EVs and providing more customer incentives.

Renault Samsung Motors recently cut the price of the SM3 Z.E. by 1.48 million won (US\$1,350) to 41.9 million won (US\$38,240) and GM Korea marked down that of the Spark EV by 1.5 million won (US\$1,369) to 38.4 million won (US\$35,057). Kia Motors provides a discount of about 1 million won (US\$913), depending on the installment plan, for those who purchase the Soul EV, and BMW guarantees 52 percent of the car price for three years for those buying the i3. Hyundai Motor Company is planning to release an EV next year.

The aggressive marketing campaigns have to do with local government policy. For example, Seoul City and Jeju Province provide financial assistance for EV buyer by lot. The Ministry of Environment gives a grant of 15 million won (US\$13,689) per vehicle, and this results in savings of close to 20 million won (US\$18,261) when subsidies from the local governments are added.

This year, the central and local governments are planning to supply a total of 3,090 EVs. The Ministry of Environment is aiming to increase the number by 10,000 next year. To this end, the ministry has asked the Ministry of Strategy and Finance to allow a budget of 150 billion won (US\$136.9 million).

The plug-in hybrid electric vehicles (PHEVs) are also about to pour into the domestic market.

A full lineup of PHEVs is likely to



be seen in the first half of the year from sports car luxury brands priced at over 100 million won (US\$90,083), to SUVs, hatchbacks, and economical sedans priced at 40 million won (US\$36,033), catering to purchaser tastes. PHEVs have a larger battery than existing hybrid cars and can be charged through external sockets.

According to the industry on March 30, BMW and Porsche already launched PHEVs, and Hyundai Motors is also planning to show a Sonata PHEV next month. Furthermore, Mercedes Benz is tapping to launch the C350e in the domestic market, which is based on the C-class platform.


The BMW i8 with a sports car design lowered the empty vehicle weight to 1,500 kg by using carbon fiber reinforced plastic (CFRP). It can run 35 km only in its electric vehicle mode. The price is not so cheap at 199.9 million won (US\$180,107), but the model is said to be selling over 100 units through preliminary contracts.

The C350e, which Mercedes Benz Korea is considering to launch, can run 33 km in electric vehicle mode, and is equipped with an intelligent motor in the accelerator pedal so that drivers can save oil. The pedal vibrates when the vehicle gets closer to a vehicle ahead, hinting at the driver to take his or her foot off the

pedal.

Porsche Korea launched the Kaien S E-hybrid on March 27. This vehicle is the first SUV PHEV. The price for domestic sales was set to be 114.9 million won (US\$103,505).

Hyundai Motors is going to launch the Sonata PHEV in the domestic market next month. Industry sources said that the company originally planned to launch the model in the domestic market in June, but it has decided to advance the launch time due to the earlier than expected launches of other imported brands. The Hyundai vehicle data exposed until now say it has 202 horsepower with combination of a Nu 2.0 direct spray engine and a 50kW electric motor. It runs more than 30 km in electric mode with a 9.8kWh lithium ion polymer battery. The price is expected to be about 40 million won (US\$36,058) taking into consideration that those of the existing original Sonata hybrid vehicle are between 28.7 to 32 million won (US\$25,872 to \$28,841).

Also, Audi will release a five-door hatchback, the PHEV A3 Sportback E-tron, in Jeju Island next month, planning to launch it in the second half of the year. 

by Jung Suk-ye

Foreign Exceeding Domestic

New Record in Imported Vehicle Sales for March



The sales of imported automobiles in March exceeded 20,000 units, recording the highest number in history. With this trend, it is expected that annual sales would exceed the 220,000 units originally forecast by the imported automobile industry, and possibly reach even up to 250,000 units.

The Korea Automobile Importers and Distributors Association (KAIDA) said on April 6 that 22,280 imported vehicles were registered in March, 41.6 percent higher than those of the same month last year. This is the first time for monthly imported automobiles to surpass 20,000 units.

The offensives of imported vehicles will become stronger this year. The accumulated sales units for the first quarter of the year recorded a total of 58,969 units, up 32.7 percent from the same period a year ago, due to the largest-ever monthly sales recorded in March. With this, imported automobiles accounted for 17.4 percent of the total domestic automobile market (excluding commercial vehicles), increasing 3.5 percent from 13.9 percent in the first quarter last year.

The share of local manufacturers in the domestic vehicle market shrunk to 82.6 percent from 86.1 percent because of the offensives of imported vehicles, even though the number of their sales cars increased. In particular, the automobile market share of Hyundai and Kia Motors came to only 62.0 percent, threatening the 60 percent line. Hyundai and Kia Motors, which used to have 80 percent of the domestic market, lost their commanding position and found themselves chasing imported brands.

By brand, BMW won back the first place, which Mercedes-Benz had kept from January to February, with 4,003 units sold. It was followed by Audi with 3,895 units, Mercedes-Benz with 3,639, and Volkswagen with 3,264.


The best-selling model was the Volkswagen Tiguan 2.0 TDI Bluemotion with sales of 1,046 units. It was the highest monthly

sales figures in history since the model was launched. It was also 54.8 percent higher than last year's monthly average sales (675.5 units), which won first place in the annual best-selling model list last year. It was followed by the Audi A635 TDI with 2,253 units, and the Volkswagen Golf 2.0 TDI with 1,885.

Meanwhile, a total of 338,813 domestic and imported automobiles (excluding commercial vehicles) were sold in the first quarter, up 6.3 percent from a year ago.

The sales of foreign automakers in Korea skyrocketed last year to exceed the annual domestic sales of Kia Motors, not to mention GM Korea and Renault Samsung Motors, for the first time in history. The annual sales of the foreign car manufacturers are predicted to continue to grow during the course of this year as well.

According to industry sources, the 13 foreign automakers doing business in Korea with 25 brands recorded total sales of 9.7034 trillion won (US\$8.9751 billion) combined last year while Kia Motors, ranking second in terms of market share in Korea, posted 9.3112 trillion won (US\$8.6123 billion) during the same period. The amounts were 7.1949 trillion won (US\$6.6568 billion) vs. 7.5680 trillion won (US\$7.0033 billion) in 2013, respectively. Their rapid growth is posing a threat even to Hyundai Motor Company, the number one car maker in the Korean market.

By company, the Volkswagen Group including Audi recorded the highest sales, 2.6619 trillion won (US\$2.4628 billion) to be specific, among the 13 non-Korean carmakers last year. It was followed by BMW Korea and Mercedes Benz Korea. They recorded annual sales of 2.2999 trillion won (US\$2.1279 billion) and 2.2045 trillion won (US\$2.0400 billion) each in 2014. Meanwhile, GM Korea and Renault Samsung Motors recorded 2.5026 trillion won (US\$2.3158 billion) and 2.1250 trillion won (US\$1.9669 billion) in sales, respectively. 

by Jung Suk-ye

No Offshore Orders

Domestic Shipbuilders Directly Hit by Low Oil Prices

The offshore plant businesses of domestic shipbuilders are being directly hit by low oil prices. The companies haven't yet received any orders this year at all. The businesses were once considered saviors in the shipbuilding industry, but they have now become liabilities. As domestic shipbuilders have practically stopped receiving orders for offshore plants, they are forced to restructure their businesses.

According to sources in the shipbuilding industry on April 13, the first-quarter orders received by Korea's "big three" shipbuilders – Hyundai Heavy Industries (HHI), Samsung Heavy Industries (SHI), and Daewoo Shipbuilding and Marine Engineering (DSME) – amounted to only US\$5.13 billion (5.66 trillion won). SHI is in the lead with US\$2.3 billion (2.54 trillion won), following HHI with US\$1.43 billion (1.58 trillion won), and DSME with US\$1.4 billion (1.54 trillion won).

Among the orders received, however, there was not a single order for offshore plants. After oil prices started falling in earnest in November last year, there have been no contracts signed for offshore plants, which hits the big three shipbuilders quite hard, as they had absolute influence in the offshore plant market.

In 2013, they accounted for 70 to 80 percent of the world's total offshore plant orders, winning the biggest number in the world. However, the situation rapidly changed as high oil prices plunged.


HHI recorded only US\$5.6 billion (6.17 trillion won) of offshore plant orders last year, falling short of the target figure of US\$7.3 billion (8.05 trillion won). SHI received US\$3.2 billion (3.53 trillion won) in orders last year after its target of US\$8.9 billion (9.81 trillion won). The figure was less than half of the target, and far short of the target amount. Even



A cylindrical Goilat floating production, storage and offloading unit sits in Hyundai Heavy Industry's offshore yard on Dec. 19, 2013. It was built for Eni Norge, which ordered it in 2010.

though the DSME met its annual overall amount of target orders last year among the top three, it only recorded US\$3.7 billion (2.98 trillion won) in offshore plant orders, which was substantially far below the segment's specific target value of US\$8.1 billion (8.93 trillion won).

An official from the shipbuilding

industry said, "Even though the domestic shipbuilders were strong in offshore plant businesses, they are struggling with the businesses due to the fall in oil prices. However, the oil prices are expected to fluctuate, rebound and increase in the long term." 

by Jung Suk-ye

Needed Expertise

Increasing Demand for South Korean Shipbuilding Equipment



A ship's hull being built at Hyundai Heavy Industries' shipyards.

Chinese and Japanese shipbuilders' orders for South Korean shipbuilding equipment are "increasing," the Korea Trade-Investment Agency (KOTRA) said on April 19.

Jo Hyo-jae, a professor at Korea Maritime and Ocean University, told KOTRA that Japanese shipbuilders do not have enough design manpower to meet the recently-increasing demand for liquefied natural gas (LNG) ships. So, South Korean shipbuilding equipment companies' entrance into the Japanese market seems "promising," he said.

An official of Kawasaki Heavy Industries, Ltd. told KOTRA that the company is going to increase the number of overseas suppliers, as the company plans to construct more than three LNG ships annually for the increasing orders.

A purchasing expert at BFD, a large Chinese shipbuilder, told KOTRA that

China's technical expertise for high-value added ships is weak. So China has high demand for South Korean premium components, he said.

While China has been ranked 1st in shipbuilding orders worldwide since 2012, it manufactures "mainly" small and medium-sized ships such as bulk carriers, and its shipbuilding capability for large ships is "weak," KOTRA said. Therefore, Chinese companies consider the high-value-added shipbuilding of large container ships or LNG ships to be "vital."


The market share of Japanese shipbuilders increased from the 10 percent range in 2010-2013 to 20 percent in 2014, as its price lowered due to the low yen, KOTRA said.

Moreover, the Japanese government's energy policy, replacing nuclear power with thermal power, is also helpful for Japanese shipbuilders, as the policy

increases the demand for LNG ships for shale gas shipments, KOTRA said.

Thirty-six South Korean shipbuilding equipment companies in Busan, which account for almost half of the entire sector of the country according to KOTRA, had their revenues in 2014 decrease by 9.2 percent from last year, the Busan Chamber of Commerce & Industry said.

Kim Sung-soo, director at the strategic marketing sector of KOTRA, said that the agency will expand its support for small and medium-sized South Korean companies' exports, in accordance with the increasing demand for South Korean shipbuilding equipment from China and Japan.

KOTRA is holding the South Korea-China shipbuilding equipment global partnering from April 20 to the next day in Guangzhou, China, it said. 

by Oh Seung-mock

Countermove

Korean Steelmakers to Increase Investment to Tackle Negative Prospects



Steel plates under production in POSCO's Gwangyang Steel Works.

Korean steel companies are planning to make aggressive investments for business sustainability. The idea is to make preparations to keep the lead in the market while the business conditions are deteriorating at a rapid pace, with the supply glut caused by Chinese steel companies expected to continue for a while.

According to the result of a recent survey carried out by the Korea Iron & Steel Association, Korea steel makers are planning on capital expenditures of 4.1473 trillion won (US\$3.8098 billion) for this year, 18.6 percent up from a year ago. The domestic and overseas investments scheduled for this year add up to 3.354 trillion won (US\$3.0811 billion), 18.9 percent up from a year earlier, and 158.8 billion won (US\$145.9 million), 11.3 percent up, respectively.

By business segment, 2.0279 trillion won (US\$1.8629 billion) is to be invested in manufacturing facility renovation,

repair, and maintenance. Another 1.7327 trillion won (US\$1.5917 billion) will go to facility expansion, and 169.1 billion won (US\$155.3 million) to R&D facility construction and management.

This year, Korean steel manufacturers are expected to spend 632.9 billion won (US\$581.3 million) for R&D purposes. The amount is 4.7 percent higher when compared to last year. At the same time, the ratio of investment to sales is estimated to increase from 4.8 percent to 5.9 percent between 2014 and this year.


According to the steel industry, the price of iron ore per ton plunged to US\$62 (68,355 won) in the first quarter this year from US\$120 (132,300 won) a year before. The price of coal per ton also decreased to US\$111 (122,378 won) this year from US\$142 (156,555 won) in the first quarter of last year. Also, the price of steel scrap per ton, the main material of

electric furnaces, has dropped to 220,000 won (US\$199.55) from 260,000 won (US\$235.83) in the fourth quarter of last year.

The price of raw materials keeps falling in the second quarter. The iron ore price per ton decreased to US\$47 (51,818 won) in April, while steel scrap price is currently standing at 210,000 won (US\$190.48).

Due to the price decrease, the steel industry showed good results in the first quarter. In particular, the operating profits of POSCO in the first quarter are expected to surpass 836 billion won (US\$758.28 million). The figure an increase of 14 percent from 731.2 billion won (US\$663.22 million) a year earlier.

Taking a closer look, however, reveals that the results were largely due to an "unstable surplus" from the drop in raw materials prices, including iron ore and coal, rather than high sales. As the trend is expected to continue, the steel industry will most likely face more troubles in the future.

The improvement of the performance of steel companies is mainly due to the lower prices of raw materials. Due to the global economic recession, demand has decreased from the slump in the shipbuilding and construction industries, which are front industries. However, its profitability has improved as the price of iron ore and coal has fallen.  by Jung Suk-ye

Operating Profits of Major Local Steel Makers



Ownership Expansion

Hyundai Steel to Complete Merger with Hyundai Hysco



A Hyundai Steel plant in Dangjin county, Chungnam Province.

Hyundai Steel is to complete a deal to take over Hyundai Hysco by July 1.

Under the deal, Hyundai Steel plans to issue 16,896,001 new shares and swap them with those of Hyundai Hysco at a ratio of 1:0.8577. In short, the company will offer 0.8577 of its shares for every stock share in Hyundai Hysco to Hyundai Hysco shareholders.

Will Byun, analyst at the NH Investment & Securities, said. Hyundai Steel shares are worth 73,299 won (US\$66.58) per share, while Hyundai Hysco shares are worth 62,873 won (US\$57.08) each.

He said, "This means that all of the common shareholders of Hyundai Hysco consenting to the merger will receive 0.8577607 Hyundai Steel shares for each Hyundai Hysco share that they own.

"After issuing the new shares, Hyundai Steel's number of outstanding shares should total 133,445,785.

"The merger will likely strengthen Hyundai Steel's market position as an auto

plate specialist, with the firm benefiting from the addition of Hyundai Hysco's overseas steel service centers and auto weight reduction business, which encompasses hot-stamping, hydroforming, and tailor-welded blank processes," he said.

He said that the general shareholders will have a meeting on May 28 to approve the merger. The two companies will be officially merged on July 1, and the newly-issued shares will be listed on July 15.


Through this merger, Hyundai Steel will diversify its business portfolio related to steel pipes and weight reduction and secure the overseas steel service centers owned by Hyundai Hysco at the same time.

By strengthening the technology of auto steel sheet-making and the ability to manage quality, the company is planning to pro-actively respond to changes in overseas auto steel sheet demand.

In particular, as the steel pipe and weight reduction sectors are businesses

where its materials are important, Hyundai Steel will maximize the synergy of the merger through the development of high-value-added products and the preemptive development of new steel grades. It will foster them as the main business sectors with global competitiveness by strengthening the development of quality and technology.

Hyundai Steel's material technology produces next-generation auto steel. Hyundai Hysco owns a lot of overseas steel service centers. As these two companies converge and the new company's overseas sales network expands, the company's global sales competitiveness is expected to be consolidated further through integrated marketing.

Once the merger is completed, Hyundai Steel is expected to become a global steel company with assets and sales amounting to 31 trillion won (US\$28.4 billion) and 20 trillion won (US\$18.32 billion), respectively.  by Jung Yeon-jin

Focus on Latin America

Korean Construction Companies Changing Overseas Business Strategies



Korean builders have won the New Refinery Project, which is estimated at US\$14 billion, from the Kuwait National Petroleum Company. They succeeded in beating European and Japanese bidders by means of cooperating in the bidding for the plant construction project, which is expected to be largest one in the Middle East for this year. About 10 Korean builders, including Daewoo E&C, SK E&C, and Hyundai Heavy Industries participated in the tender in groups without exception.

This shows how Korean construction firms' overseas business strategies are changing. These days, consortium-based joint bidding is becoming increasingly prevalent. Last year, this method accounted for 56 percent of the total value of the orders they obtained abroad, US\$37 billion in amount. The amount increased from US\$7.1 billion to US\$9.2 billion and then to US\$18.4 billion in the Middle East between 2012 and 2014.

"Korean builders experienced earning shocks in the large-scale projects in the Middle East in 2012," the International Contractors Association of Korea explained, adding, "Since then, they have

focused on collaboration in order to minimize the profitability risk attributable to excessive competition and facilitate financing."


Another trend in the overseas construction industry is regional diversification to Asia and Latin America. In the first quarter of this year, Korean construction firms won orders worth US\$4.9 billion combined in Asia, slightly more than double the amount of a year ago, while

the amount quadrupled to US\$4 billion in Latin America. As of the end of March this year, Venezuela is their largest customer with US\$2.6 billion worth of projects scheduled. The others on top of the list include Saudi Arabia (US\$2.1 billion), Vietnam (US\$1.9 billion), and Chile (US\$1.2 billion).

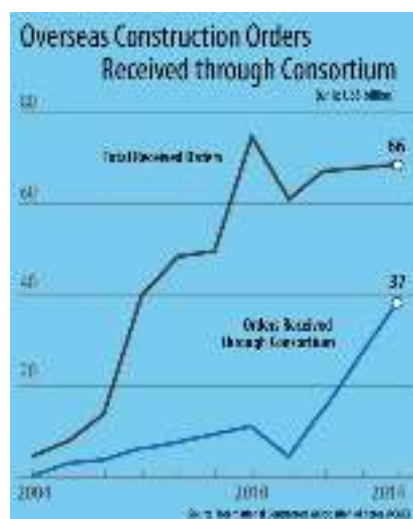
Meanwhile, the Ministry of Strategy and Finance reported that the order amount for overseas construction and plants reached US\$66 billion last year. This is the second highest performance in history.

The order amount is the second-largest amount following the order amount in 2010 (US\$71.6 billion), when the order of nuclear facility construction in the United Arab Emirates was received. The order amount in 2011 was US\$59.1 billion, US\$64.9 billion in 2012, and US\$65.2 billion in 2013. It was due to obtaining the biggest amount ever in Africa, Europe and the middle and south American regions.

Consortia among Korean builders also contributed to the increase in obtaining orders. Orders through consortia accounted for 40 percent of the total US\$26.6 billion last year. The figure almost doubled from 21 percent with US\$13.5 billion in 2013.

Support from policy finance institutes also contributed to achieving the performance. Last year, Korea Eximbank and the Korea Trade Insurance Corporation (K-Sure) supported funds worth 32.3 trillion won (US\$28.9 billion). Financial institutions also provided a total of 12 trillion won (US\$10.7 billion) worth of guarantees, a 21 percent increase from the previous year, for supporting small and middle-size companies. 

by Jung Suk-ye



Gwangju Summer Universiade: Summer of Fun

Creating Inter-cultural Legacy of Harmony through Sports



The 28th Universiade is held in Gwangju this July. (Source: Gwangju 2015 Universiade Organizing Committee)

There are a lot of great expectations for the Universiade Gwangju 2015 both from its future participants and its organizing committee. BusinessKorea sat down with Yoon Jang-hyun, president of the Gwangju 2015 Universiade Organizing Committee and mayor of Gwangju City, who spoke about those expectations and also the preparations that they have done to make sure no one is disappointed, such as the eco-friendly construction of new venues and the daily safety inspections that the event will conduct. Below are excerpts of the interview.

Please tell us about the expected size of this Universiade and explain what you have focused on most to differentiate it.

The Universiade Gwangju 2015 is the third Universiade to be held in Korea, after the 2003 Summer Universiade in Daegu and the 1997 Winter Universiade in Muju and Jeonju.

It will be the largest sporting event to be hosted in history, attended by 20,000 participants from 170 countries. For the record, 11,759 university athletes from 159 countries participated in the 2013 Summer Universiade in Kazan, Russia.

The Gwangju Summer Universiade

has set an initiative called "EPIC". EPIC stands for "Eco-friendliness," "Peace," "IT," and "Culture." These four visions are the principal concepts of the Universiade. Also, they are the values we want to share with the world and the legacy we want to leave as a city of democracy, human rights, and peace.

The Gwangju 2015 Universiade Organizing Committee is making every effort to manifest the vision of an eco-friendly competition. The entire city is on board to host an "Eco-versiade" by balancing the environment, local ecology, and landscape in harmony while building new venues, recycling resources, and utilizing renewable energy.

Also, the organizing committee is devoted to share the value of the Universiade as "Peace-versiade," and inspire the world to be more just, peaceful, and sustainable.

The Gwangju Universiade will be the most sophisticated sporting event with the vision of "IT-versiade," driven by the world's leading information technology of South Korea. The Universiade's total integration management system includes information management as well as competition schedule and results operation.

The system will be integrated with internet and mobile services.

In particular, Gwangju will open the Asian Culture Complex this year, along with the Gwangju Universiade. Under the motto of "Culture-versiade," the organizing committee will offer the opportunity to experience diverse culture and art by integrating the cultural contents of the Asian Culture Complex. The Gwangju Universiade will become a cultural festival for participants to recognize the cultural differences of one another.

Please be more specific on cultural events you will have for the Culture-versiade.

As Gwangju is also known as the "City of Art", the Gwangju Universiade will hold various cultural events to make the games a sporting and cultural festival. This is why the Gwangju 2015 Universiade Organizing Committee has come up with the vision of "Culture-versiade."

Cultural events will be divided into Athletes' Village cultural events and general cultural events. The Athletes' Village cultural events are geared towards the athletes and officials participating in the games. Various performances, exhibitions,

and shows will be held in the Athletes' Village and the Asian Culture Complex from July 1 to 15.

The FISU Gala will take place at the Asian Culture Complex on July 2. It is a program to award individuals in recognition of international sports from previous competitions and introduce the next host city. On the same day, a K-Pop event will be held at the culture complex on the eve of the festival, raising the excitement of the Universiade.

The 2015 Gwangju Universiade is not just a sporting event. It is a festival that can be enjoyed by students and youth from all over the world. Youth from 170 countries gathering together in one place is a mega event itself and a valuable opportunity. Accordingly, the 2015 Global Youth Festival will be hosted from July 4 to 12 during the Universiade. Two types of festivals will be held during the Universiade. One is for the local community and athletes take part in cultural events and the other is for the participants to create their own experience through meeting new people from different walks of life. Talented youth from around the world will also perform musicals, Korean traditional music, plays, costume shows, as well as joint performances.

Since it is the largest international event being held in Gwangju, South Jeolla Province, a thorough safety inspection seems to be necessary. How's the work going?

The Gwangju 2015 Universiade Organizing Committee mentioned safety as one of the key words for the successful event. For this, we are carrying out a phased inspection and accelerating to establish a cooperative system between its related organizations.

Currently, the organizing committee is conducting an independent safety check on each stage of the construction, civil engineering, electricity, and gasworks of 69 competition venues. We had a stage 1 routine inspection until March and have been doing a special safety check from April to June. During the games-time, the venues will go through daily checks.

We are also constructing a cooperative



Yoon Jang-hyun, president of the Gwangju 2015 Universiade Organizing Committee and mayor of Gwangju City.

system with government organizations to safely host the Gwangju Universiade.

Organized by the National Intelligence Service, the "counter-terrorism and safety countermeasures headquarters for the Gwangju Universiade" is run, which is involved in 15 organizations, including city and county governments and fire stations. The Gwangju Metropolitan Police Agency has also launched "the Universiade planning group" to secure safety on the related facilities of the Game.

Moreover, it offers fire safety training for the prevention of disasters and fast responses. Starting from last year, integrated fire fighter training has begun in 28 facilities, including competition venues, in order to improve its quick reaction capability.

Recently, the North Korean delegation visited Gwangju to attend the preparatory conference for the Heads of Delegations. There was also regrettable news that the government failed to form a single inter-Korean team. How do you expect the relationship between South and North Korea?

We in Gwangju have been longing to form a single inter-Korean team for a long time. Unfortunately, we will not see a unified team competing at the Universiade Gwangju 2015. Still, there are issues left that can be positively reviewed, including lighting the Universiade torch in Paektu Mountain and the athletes and cheerleading squad entering the South by land. Therefore, there is still hope for other joint activities of South and North Korea to be held at the 2015 Summer Universiade.


The North Korean delegation visited Gwangju using the Honam High Speed

Railway from the Incheon International Airport to the city. We hope that this valuable experience has become a positive influence for North Korea to take part in such meaningful events. If athletes and cheerleaders of North Korea arrive at Seoul by the Gyeongui Railroad and take the Honam High Speed Railway to Gwangju, it will be a leap towards peace in the Korean Peninsula.

The Gwangju 2015 Universiade Organizing Committee hopes to host an event that stands for human values such as tolerance, cooperation, and respect which includes people of all ages and abilities. Accordingly, we have made efforts to leave a legacy for future leaders of our society.

The city has carried out the joint projects such as the "EPICS Forum" and "Gwangju Youth Leadership Program (YLP)" from 2013 to this year with the United Nations. In particular, youth around the world exchanged their experiences and ideas with global mentors at the EPICS Forum. YLP is an educational program helping future leaders from developing backgrounds raise environmental awareness and sustainable practices through sports.

The Gwangju Universiade will also leave various tangible assets in the region. Notably, the Honam High Speed Railway project, which was an investment of a total of 8.8 trillion won (US\$8.16 billion), was accelerated due to the hosting of the games. The railway takes at minimum 1 hour and 33 minutes from Gwangju to Seoul and 2 hours 50 minutes to the Incheon International Airport, providing convenience to the athletes and officials visiting Gwangju. Due to the expansion of traffic networks in Honam, it will contribute to the regional economic vitalization.

For indirect effects, Gwangju will be introduced to the world through media, improving its global status and awareness. The Universiade will improve infrastructure, including the expansion of transportation networks and urban regeneration projects. This, in turn, will contribute greatly to the local economy and enhance the quality of life of its citizens. 

Field-effect Transistor

Wireless Smart Sensor Needs No Battery

The Ulsan National Institute of Science and Technology has developed a transparent hybrid electronic device production technique for the manufacturing of wireless smart sensors. Details of the research are available on the online edition of *Advanced Materials* published on April 22.

The transparent hybrid electronic device developed by the research team uses a combination of graphene and metallic nanowires. The device maintains its electrical characteristics even when folded or pulled. The smart sensor developed at this time based on the device can be attached to various surfaces, such as the human skin, for real-time monitoring of changes in biomaterials like protein.

The sensor is not oxidized and maintains excellent flexibility even after long exposure to the air and heat applications. The sensor wirelessly transmits the changes in biomaterials by means of its built-in antenna. The power required for the transmission and reception is supplied by its transmission antenna, and thus no battery is required.

“When graphene detects protein, the resistance changes and



A wireless smart sensor developed by the Ulsan National Institute of Science and Technology.

the signal containing the information is sent to the air through a reception antenna, which means the sensor requires no battery since the transmission antenna sends and captures the radio waves,” the research team said, adding, “A mobile phone battery can be used in this process if the transmission antenna is built into a handset.”

by Cho Jin-young

Bonescrew

Korea Approves Soluble Metallic Screw for Medical Applications

The world’s first metallic screw for medical purposes that fixes broken bones and is dissolved into the human body over time won its approval in Korea.

The Ministry of Food and Drug Safety announced on April 21 that it approved of U&I Corporation’s K-MET, which is the world’s first metallic screw for osteosynthesis, or fixing a broken bone, and then dissolving by itself in the human body. The U&I Corporation is a Korean company that manufactures medical instruments.

At present, screws for osteosynthesis have to be removed through an additional operation after the bone pieces reattach to each other. However, the K-MET gradually disappears in the human body over a couple of years, because its main components are those elements constituting human bones such as magnesium and calcium. In addition, the K-MET causes few side effects and inflammation in the body, and reinforces the bones by becoming a bone-constituting element when dissolved.

The K-MET’s mechanical strength surpasses that of polymer-based products dissolving in the human body. Therefore, it is expected to be capable of successfully competing in the global



U&I Corporation’s K-MET, the world’s first metallic screw for osteosynthesis

market. As of last year, the size of the market of bone-fixing medical appliances amounted to 34.4 billion won (US\$31.8 million) in Korea and US\$2 billion worldwide.

by Cho Jin-young

Artificial Fingerprint

Non-duplicable Artificial Fingerprints to be Commercialized

Korean researchers have developed artificial micro fingerprints that are fundamentally non-duplicable.

A research team led by Prof. Kwon Sung-hoon of the Electrical and Computer Engineering Department at Seoul National University and Prof. Park Wook of the Electronics and Radio-engineering Department at Kyunghee University announced on March 24 that they developed tiny, non-duplicable fingerprint patterns at the size of tenths or hundredths of a millimeter.

Micro identifiers have been used already, mostly by putting them on the product surface or mixing them with the ingredients to make the product, in order to prevent counterfeiting. However, existing micro identifiers have predictable barcode-like identifying marks, which makes them easy to duplicate.

In order to address this problem, a new anti-forgery technology, which used an inherent property of objects as its code,

was also developed. However, it was difficult to decode and hard to use in some kinds of products. Also, it was difficult to make different identifiers fit for the purpose, since they couldn't control its code as they wanted.

Accordingly, the research team developed artificial micro fingerprints, a mark in the shape of a human fingerprint, to effectively prevent counterfeiting. It is non-duplicable and its code can be easily controlled.

The research team made non-duplicable micro fingerprint patterns by using a substance that contracts when it dries. The code is created when a silica-coated high molecule material called Polyethylene (glycol) Diacrylate (PEGDA) dries slowly, coming out wrinkled.

Since each artificial fingerprint has an unpredictable pattern in the process of wrinkle formation, it is impossible to counterfeit.


The research team also developed a



method of controlling the wrinkles using the property of polymer particles. Accordingly, the team succeeded in not only maintaining the randomness of patterns but also freely controlling the number of minutia per unit area, which plays a crucial role in security.

The team explained that the artificial fingerprint can be read with conventional fingerprint readers, high-resolution microscopes, and smartphones, meaning that it is very practical for today's world.

Prof. Park Wook said, "The artificial fingerprint can be used widely, including in bills, medicines, and expensive valuables, and fundamentally root out counterfeiting. When the fingerprint patterns can be analyzed with simpler optical devices, it will be possible to be commercialized within three years."

The result will be published as the cover story of the March 25 edition of Advanced Materials, a weekly science journal.  by Jung Suk-ye

Roll It Up

Fully-foldable Smartphone to be Available within Two Years

The Korea Electronics Technology Institute (KETI) has developed an ultra-thin OLED electrode material for mobile devices that is capable of maintaining its electrical characteristics even after being bent tens of thousands of times.

"With this OLED electrode material, smartphones can be rolled and fully folded like paper," the institute explained, adding, "We are currently discussing mass production with major chemical material manufacturers in Korea, expecting that a fully-foldable smartphone will be available on a commercial scale within two


years to come."

Indium tin oxide (ITO) is the main ingredient used in produce existing OLED panels. An ITO-based touch panel is excellent in brightness, but cracks when bent, and thus cannot be used in flexible display. KETI's material developed at this time is the world's first means to overcome the limitation.

The institute developed it by making use of a material in which a silver nanowire is combined with transparent polyimide. The silver nanowire-based electrode materials developed before are not suitable for flexible OLED displays,



Highly-flexible OLED electrode material developed by the Korea Electronics Technology Institute.

which requires a high level of flatness, because the silver nanowire layer forms a roughness on the polymer substrate. In order to deal with this problem, the KETI put the silver nanowire as an input to a polymer substrate, and then adjusted the surface roughness by means of plasma irradiation, which resulted in a level of efficiency acceptable for ITO-based OLED displays. 

by Cho Jin-young

Psy in Chinese

Mandarin Version of Psy's "Father" Creates Chinese Sensation

“Gangnam Style” star Psy plans to release Chinese versions of more of his songs to reach out to his new Chinese-language fans, according to his management agency.


YG Entertainment announced last Thursday that tracks on Psy's new album, including “Paradise” and “The End,” are projected to appeal to a wider Chinese audience with their melody and lyrics, unlike his global rock style seen in his songs “Gangnam Style” and “Gentleman.” “Gangnam Style,” known for its catchy tune and distinctive dance, converted the Korean singer into a meteoric success worldwide when it went viral on YouTube in 2012, becoming the first video on the site to hit one billion views. Now the Korean rapper has a large following in China, with more than 24 million fans on the Chinese social network service Weibo.

The South Korean rapper recently topped the first place on Chinese online music site QQ with a Chinese-language version of his song “Father.” On March 25, the Chinese QQ Music Awards show recognized him with the Most Globally Influential Star award. The winners are solely chosen by an online voting process on the QQ Music site, which is based on the changes in the number of streams on QQ. At the event he performed his song



A still from Psy's song "Father," which is a new hit in China.

“Father” on a special stage, along with piano arrangements featured by the renowned Chinese concert pianist Lang Lang. The two previously collaborated last September at the 2014 Incheon Asian Games.

The original version of “Father” was popular in Korea years ago for its heartfelt lyrics illustrating a father's devotional support for his family. The music video had a cartoony yet poignant portrayal of fatherhood. On the Chinese music service, the “Father” music video attracted 1.01 million views. In the song, a son expresses his growing feeling of thankfulness for his aging father after reflecting on his defiant teen years and ungrateful attitude. 

by Mary Park

Return to Innocence

Coloring Books Fascinating Korea's Adult Population

As spring comes, Easter comes closer, and with them, more colors. These colors will be more appreciated by most everyone in Korea this year, as the country has been turned on to color, and coloring books.

As a trend or an effective tool to deal with stress, many Koreans have taken to coloring rather than exercising, dieting, drinking, or chatting with friends.


Take a look at bookstores. Coloring books are taking over the bestseller shelves, one in particular. Ms. Basford's coloring book, “Secret Garden,” which started the trend first in Europe in 2013, arrived in Korea Last year, defining itself as anti-stress therapy. The book has since sold more than 430,000 copies in this country. The 96-page collection of black-and-white ink drawings of flowers, leaves, trees, and birds has become a national best-seller. Moreover, around 100 different coloring books have advanced up the ranks in Korean book stores.

Recently Korean pop star Kim Ki-bum posted delicately color-worked patterns from Ms. Basford's book on his Instagram, raising the temperature of the craze.

Researchers tried to explain the heat, suggesting that there



A page from Ms. Basford's "Secret Garden" invites one to add to the drawing instead of just coloring it.

might be something to the idea of coloring as a means of stress relief. Psychologists have found that coloring has positive effects on participants' mental health, explaining that it brings them back to a place of simplicity and provides a creative outlet. Adults might feel transported back to a gentler time of life by the way of coloring pencil, since coloring has always seemed to be most suitable for preschool playing like jungle gyms and nursery rhymes. Or, people are fed up with the convenience of a digital life and look to do something analog and creative with their own hands. 

by Mary Park

Multi-projection Tech

CJ CGV to Present ScreenX at CinemaCon 2015 in US

CJ CGV will display its ScreenX technology at CinemaCon 2015, the largest and the most important gathering for the worldwide motion picture theater industry, being held in Las Vegas on April 20.

ScreenX is the world's first multi-projection technology co-developed by CJ CGV and KAIST. It is the company's leading-edge theater technology.

Unlike existing theaters with one front screen, the 270-degree ScreenX projects footage onto both of a theater's side walls as well as its main front screen, enlarging

immersion of a viewer.

During the CinemaCon exhibition, the company will set up the ScreenX system in AMC, one of the largest theater chains in the U.S., offering the opportunity for anyone to experience the new way to watch movies.

Currently, Christie projectors and HP workstations are utilized as part of the ScreenX system.


CJ CGV is planning to install more than 500 ScreenX screens worldwide by 2020 and play a role as the platform on which to expand Korean movies and pop



music.

The company said, "We have received an enthusiastic response in the U.S. at the news that ScreenX will participate in CinemaCon 2015."

It is said that press and theater notables in the U.S., including Hollywood Reporter, spoke highly of its immersion and were impressed with Korea's extraordinary technology.

CJ CGV has installed about 70 ScreenX screens in Korea, and installed the first overseas screen in Thailand on April 1.  by Jung Yeon-jin

Fashion King

Korea, China Collaborate on New Season of Fashion Reality Show Fashion King

Chinese online video platform Youku Tudou continues its aggressive investment in the Korean media content market. It reported its plans to promote Korean entertainment-related industries, holding hands with SBS Plus, the cable affiliate of SBS. Youku Tudou will co-produce an extra edition of the SBS celebrity fashion survival program "Fashion King Korea."

China's leading streaming video sites have been interested in "Fashion King Korea," which led to creating a contract to produce another series "Fashion King - Box of Secrets" as a joint production, with SBS Plus buying the format. Before merging with Youku, Tudou has experience co-producing and broadcasting "The Show," a K-pop program by SBS Plus.

Youku Tudou will work together with SBS Plus in the whole process of making the new season including planning, coordination, costume production, sales, and marketing. "Fashion King - Box of


Secrets" will premiere on the 25th of this month.

Last Wednesday, Senior Vice Chairman of Youku Tudou Yang Wei-dong said at a production press conference in Seoul, "The Chinese market recognizes that the Fashion King Series contains competitive broadcasting technologies and rich broadcasting experiences. This collaboration project aims to create a fully qualified media proerty in the global media market, working with the top production company in Korea."

"Fashion King - Box of Secrets" has the same basic idea as its predecessor, "Fashion King Korea" seasons 1 and 2. However, the interesting point of the new work focuses on Korea-China bilateral competition. Some of the two countries' top fashion designers will team up with the nation's top celebrities for a fashion battle to the top.

The upcoming fashionable TV collaboration includes four celebrity-design-



er teams on each side that will compete against one another. Teams in this episode finalized a powerful line-up, including singer Kim Jong-kook, Seo In-young, actress Yoo In-na, CNBLUE Lee Jung-shin, Super Junior-M Seasoning, and stylist Jeong Yun-gi. Every week each team has to pull off a masterful cooperation on stage, fulfilling fashion challenges and missions. Over 200 fashion specialists from both countries will screen the whole competition. At the end of the weekly show the team with the lowest score will be eliminated from the runaway. The new fashion reality episode will be broadcast for 10 weeks every Saturday night at 10 p.m. local time. 

by Mary Park